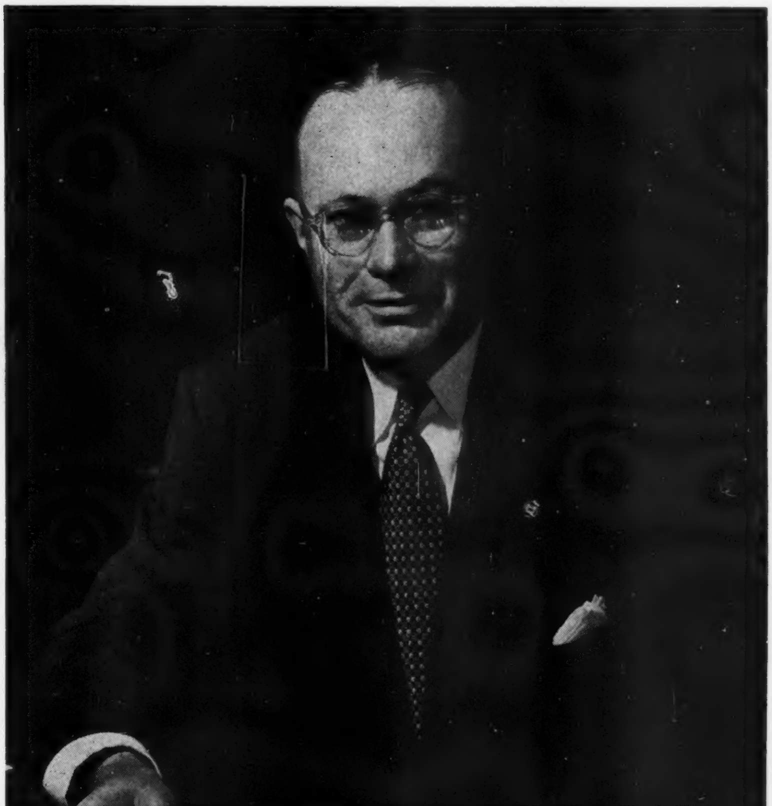
OCTOBER 1951

CREDIT and FINANCIAL MANAGEMENT

FIRE PREVENTION WEEK OCTOBER 7-13



New Vice President and Treasurer

A publication of

The National Association of Credit Men

It's important to know—

F-6

Credit Interchange Bureaus

CENTRAL OFFICES
512-514 Arcade Building
ST. LOUIS 1, MO.

of the NATIONAL ASSOCIATION
of CREDIT MEN

Report on

----- ------ STORES CO.,   -------, GEORGIA   SEPT. 5, 1951
---- COUNTY

The accuracy of this Report is not guaranteed. Its contents are gathered in good faith from members and sent to you by this Bureau without liability for negligence in procuring, collecting, communicating or failing to communicate the information so gathered.

BUSINESS CLASSIFICATION	HOW LONG SOLD	DATE OF LAST SALE	HIGHEST RECENT CREDIT	NOW OWING (INCLUDING NOTES)	PAST DUE (INCLUDING NOTES)	TERMS OF SALE	PAYING RECORD: DIS-COUNTS	PAYING RECORD: PAYS WHEN DUE	PAYING RECORD: DAYS SLOW	COMMENTS
GEORGIA										
818-13										
Ind S	9-47	8-51	1027			30		x		
Gen M	yrs	8-51	7687	6719	4088	1-10-30			15	
Hdwe	yrs	7-51	321			2-10-60		x		
Photo	4yrs	8-51	430	118		1-10-30	x			
Spt G	yrs	7-51	5728	1411	914	2-10			60	
Spt G	1946	8-51	442	318		2-10-60		x		
NORTHERN WISC-MICH										
819-214										
Hdwe	5-49	8-51	754	118		1-10-30	x			
HOUSTON										
819-302										
Spt G	yrs	8-51	1750	1476	1275	2-10 Px			45	
PEORIA										
819-113										
Hdwe	yrs	5-51	1656			2-10-60			60	
CHATTANOOGA										
819-405										
Hdwe	yrs	8-51	980	475		1-10-30	x			
Elec	yrs	8-51	1004	918	732	1-10-30			30	
KNOXVILLE										
819-203										
Hdwe	yrs	7-51	932			1-10-30		x		
CAROLINAS										
819-302										
P&H	yrs	8-51	2318	1043	741	1-10-30			15	
LOUISVILLE										
819-512										
Hdwe	yrs	8-51	3192	2047	1165	1-10-30			30-60	
Clo	yrs	7-51	813	317	298	2-10-60			30	
Bu 22 NM										

Many customers discount their bills, or pay when due. But there are exceptions. Should one or more of these "exceptions" be on *your* books, an otherwise clean credit record might be wrecked.

Look at the report reproduced here. While the customer discounts his bills with some suppliers, *several report increasing slowness*—a danger signal not to be disregarded . . . The report also tells you *where* the customer buys—*what* he buys—*how long* the suppliers have been selling him—and *how much he owes now.* All of these facts, from many suppliers, are yours as the result of but *one inquiry.*

Learn more about Credit Interchange and the ways in which it can serve you reliably and economically. Ask your Bureau. If you prefer, write

Credit Interchange Bureaus
NATIONAL ASSOCIATION of CREDIT MEN
512-14 Arcade Building . . . ST. LOUIS 1, MO.

"For Service Only"

CREDIT INTERCHANGE BUREAUS
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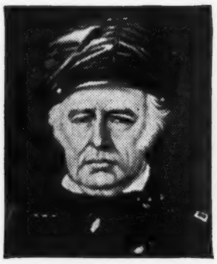
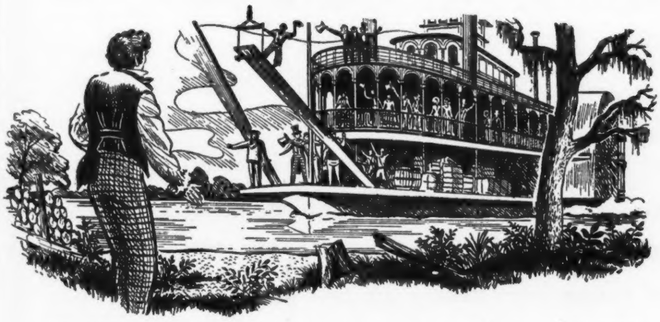


Old Rough and Ready

SOLDIER IN THE WHITE HOUSE

Schooled in war, not politics, Zachary Taylor had never even voted in a major election when he entered the presidential campaign of 1848. He disliked political parties and at first insisted on being a non-partisan candidate. The official notice of his nomination was sent to the dead-letter office with a quantity of mail on which the parsimonious Taylor refused to pay



postage. (Prepaid postage was not yet in regular practice.) Unofficial word reached him via Mississippi steamboat while he was at his Louisiana plantation. Summoned to the landing by the passengers' shouts, he quietly received their congratulations.

Taylor was born in Virginia in 1784 but nine months later his family moved to Kentucky and soon after their arrival built a comfortable brick house near present-day Louisville. This home where Zachary spent his boyhood is now privately owned. Before he could read or write young Zachary learned the ways of the frontier and to be constantly on guard against hostile Indians; each night the house was barricaded and the family armed.

Taylor's forty years as an army officer coincided with the critical period of American expansion and took him the length and breadth of the country. During the Black Hawk War while he was stationed at Fort Crawford, Wisconsin, his daughter Sarah Knox Taylor and Jefferson Davis became engaged. Despite Taylor's violent opposition the young couple were married, but the lovely bride died a few weeks afterwards.

Although the army was Taylor's career his greatest joy was farming and he preferred old clothes to a uniform. He acquired the sobriquet Rough and Ready during the Seminole War in Florida, and it was an apt description. He became a major general but he remained simple and unassuming, displayed reckless disregard for danger and insisted on sharing the rugged life of his troops. When the Mexican War ended he had not slept under a roof for two years or seen any member of his family.

As the hero of Buena Vista, Taylor was persuaded to run for President and was elected in a five-cornered contest but he died in 1850 after only sixteen months in office.

Editorial

An uninsured business is a gamble!

UNDER present world conditions the hazards of business are indeed great. They are hazards, too, which cannot be glossed over. Some of them, however, one need not face alone. They can be shifted to others whose sole business it is to assume them. The price of such protection is a relatively small amount of money which time and experience have shown to be adequate.

The development of insurance as a business protection in recent years is the outgrowth of real vision. Nowadays it is inexcusable for business men to risk their companies' future when the insurance companies, with their tables of experience to protect them and their capacity to spread the risk among them, can underwrite individual hazards with no danger to themselves. It is logical, therefore, that credit men, in the interest of both their own companies' protection and that of their customers, are strong advocates of sound insurance schedules.

One of the main objectives of good credit management is to reduce unnecessary risks. A credit manager who does not counsel his customer on needed insurance protection is remiss in his duty. The hazards of business cause many failures, all of them tragic; there is none more tragic than that of the otherwise competent merchant who faces the loss of his business because he neglected to protect himself with adequate insurance. Such failures are not only tragic; they are needless and they can, and must, be avoided.

Henry H. Heimann

HENRY H. HEIMANN,
EXECUTIVE MANAGER

THIS MONTH'S COVER

There are no heights a good credit executive cannot scale, and Lester W. Stolte is here to prove it. When he graduated from Lincoln High School in Cleveland he tossed up whether to go to college or business and business won. So he got a job as a time clerk and went to college at night anyway.

Twenty-three years ago he joined Fairbanks, Morse & Co. as a bookkeeper. In 1933 he was made credit manager at Cleveland and joined the Cleveland Association of Credit Men. In 1944 he was elected Association president. At the moment he is a member of the Chicago Association and has served on its board of directors.

He attended the first Summer Institute of Credit at Babson Institute in 1941 and is an enthusiastic rooter for the Graduate School at Dartmouth, its successor.

In 1945 he really began to move. His company transferred him to Chicago as general credit manager. Next year he was secretary. Two years later he was made a director. In 1949 he was treasurer and now he has the title of vice-president and treasurer. He is also a director of Fairbanks, Morse's Mexican subsidiary and of the Municipal Acceptance Corp., another wholly-owned subsidiary.

He lives in Park Ridge, Illinois, with his wife and youngest daughter. He also has a married daughter and one grandson.

CREDIT and FINANCIAL MANAGEMENT

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CONTENTS

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THIRTY DAYS IN WASHINGTON

A check list of items of interest to Financial Executives

NEW TAX BILL BEFORE OCTOBER 1?: As the October issue is being put to press indications from Washington point to the enactment of a new tax bill before the end of September. On Friday, September 14, the Senate Finance Committee reported a bill based on the long week of hearings and discussions by that group. The Committee bill was scheduled for discussion on the floor of the Senate on Monday, September 17. How long the measure would be debated and when it would come to a final vote no one could foretell in mid-September. Members of the House of Representatives returned from their three weeks recess on September 12, prepared for final action on the new tax bill after it is submitted to House and Senate Conferees.

The tax bill as reported by the Senate Finance Committee would provide $6 billion of new revenue as against the $7,200,000,000 measure passed by the House of Representatives last June. The Senate bill provides for a reduction in income taxes voted by the House on both individuals and corporations. The Senate set 11% increase on individuals against a 12½% increase in the House measure. The Senate bill provides for 27% tax on the first $25,000. of earnings for corporations and 52% on the balance, the present rate being 25% and 47% respectively. Under the Senate bill the tax increase would be retroactive to April 1, 1951 instead of January 1 as provided by the House bill. A number of changes in excise taxes were also provided. One of the points in which it is expected the Conferees will have much discussion is the matter of tax on certain cooperative organizations.

HIGHER POSTAL RATES SEEM SURE: Early in September the Senate passed a bill providing for 4¢ letter postage, 8¢ air mail, 20¢ special delivery, as well as increases in the rates on second and third class mail. The House of Representatives was scheduled to take up the bill as passed by the Senate during the last two weeks in September. Sponsors of the Senate bill estimated that the increases voted would boost the Post Office revenues by nearly $400,000,000 a year. This would not eliminate the present Post Office deficit which has recently been reported as $500,000,000 a year.

ADMINISTRATION SEEKS CHANGE IN PRICE BILL: Proposals to amend sections of the National Defense Act governing the regulation of prices was being considered by the Senate Banking Committee during September. A revision of the so-called Capehart amendment to reduce, or eliminate overhead cost increases in setting price schedules was offered by Charles E. Wilson, Head of the Defense Mobilization Agency. The proposed revision would treat overhead costs in each individual case as to what were reasonable allowances, including indirect labor, factory selling, advertising, and administration cost. The opposition of Mobilizer Wilson to the Price Regulation Act under the so-called Capehart amendment was that the Office of Price Stabilization was given a definite mandate about how costs should be figured rather than discretion in handling such matters.

Fire losses often mean business deaths. But there is one way to stay alive . . . . .

Business Interruption Insurance

by FRED H. MORASCH
Vice-President, The Fireman's Fund Group, San Francisco

A FEW years back this important form of insurance coverage was made mysterious by its name—"use and occupancy." Happy was the day for producers when the coverage was renamed "business interruption insurance," for that simple change made this form of protection more salable to both merchants and manufacturers. As a result, producers found a new and virtually untapped market for what is frequently and aptly referred to as "business life insurance."

There is nothing mysterious about business interruption insurance. It is a form of vital insurance protection that can be easily explained, readily understood. Simply described, it is an "actual loss sustained" contract. It pays for the loss of net profits and fixed charges and expenses (including payroll, if desired) during a period of shutdown, to the extent that such would have been earned had no loss occurred.

It permits a business to enjoy the same relative financial position during a period of restoration that it had before a loss occurred—if *proper* and *adequate* coverage is purchased. Of utmost importance is the fact that recovery extends through the period of restoration and is not limited to the expiration date of the policy.

Who needs business interruption insurance? In all realism, every manufacturer and merchant, large and small, should carry this important coverage, and many of us in the company ranks believe they would if proper solicitation were made by the local agent or broker. We say the need is real because statistics, gathered by non-insurance sources, show that 43 per cent of businesses that sustain a serious loss fail to resume business! That dramatic fact is an excellent approach to the sale of business interruption coverage.

Mr. Morasch has been in the insurance business since 1919 when he joined the Royal Liverpool Group and became a special agent in 1928. In 1935 he joined the Fireman's Fund as a special agent and became successively assistant manager at the Boston office, manager and in 1946 vice-president. He was transferred to the home office in 1949.

Note stock turnover

In addition, there is the logic of bringing to the prospect's attention the fact that he probably carries full or adequate insurance on his stock or machinery, but at the same time is leaving himself wide open to the risk of interrupted or curtailed operations. By so doing he may be overlooking an insurance need equal to, or in excess of, his contents because of stock turnover. A perfect example is an actual case where a store had a stock of merchandise valued at $25,000 which turned over four times each year, yielding total sales of $100,000. The fact that such sales provided insurable values on net profits and fixed charges in the amount of $28,000 readily proves that business interruption insurance may involve larger insurable interest than physical contents.

Reproduced by permission from the *Casualty and Surety Journal*, May 1951.

From the agent's standpoint, beyond the commission-earning opportunities, he should realize that unless he brings business interruption coverage to the attention of clients, he is not performing to their best interests. And, equally important, he is presenting his competitors with the opportunity to move in on his valued accounts. This threat is truly serious, because you can be sure that once a prospect fully grasps the value of this important coverage, he is apt to accuse his insurance counselor of oversight and neglect if proper solicitation was not made. Proof of this statement is found in the practice among many agents of making record with their customers when the coverage is not purchased. I personally know of at least a score of producers who still control important, lucrative accounts because they could prove after a loss that they had solicited business interruption insurance before the loss occurred.

Visit the property owner

Many agents still believe that it is a difficult task to develop insurable values for this form of coverage. This bugaboo will usually disappear after a short visit to your customer's

place of business. You will find that most merchants and manufacturers keep very accurate records showing what their net profits are, and they readily know the amount of fixed charges and expenses that would continue during a shutdown, including the salary of key employees. They usually can also project their operations to determine whether more or less coverage will be required in the year ahead. That is the sum total of what you normally need to determine correct coverage on the two-item contribution form. A number of insurance companies make work sheets available for determining business interruption values. While they are very useful, they are not required in order to develop the figures. The biggest need is the visit to the property owner.

While forms of coverage differ throughout the country, in the main there are two principal means of effecting coverage. One is known as the *two-item contribution form.* It is ideal for manufacturing properties and for certain large mercantile risks. The first item insures the net profits which are prevented from being earned, and such charges and other expenses, including salaries of officers, executives, employees under contract and other important employees, as must necessarily continue during total or partial suspension of business, to the extent only that such charges and expenses would have been earned had no loss occurred. This item also covers the expense of necessary heat, light or power, the cost of which is prevented from being earned during the total or partial suspension of business. The second item covers the insured's entire ordinary payroll expense for a period of time normally not in excess of 90 consecutive days immediately following the date of damage or destruction, to the extent necessary to resume the normal business of the insured with the same quality of service which existed immediately prior to the loss, and which would have been earned had no loss occurred. Coverage may be written on payroll for a period of longer than 90 days if desired.

Determining values

The insurable values under a two-item contribution form can be developed by the following calculation:

Item I

A. Net sales value of production or total net sales (gross sales, less discounts, returns, bad accounts and prepaid freight, if included in sales figures) .. ..$———

Deduct:

1. Cost of raw materials or merchandise (all materials and material supplies entering into article produced, if a manufacturing concern, or cost of merchandise sold, if a mercantile establishment ....$———

2. Ordinary payroll (including insurance premiums and all taxes on said payroll)..$———

3. Cost of heat, light and power (to the extent that such expense does not continue under contract) ....$———

B. Total Deductions......$———

C. "A" minus "B." Amount of insurance required for a period of indemnity of 12 months. Item I. ....$———

Item II

Ordinary payroll expense for 90 consecutive days. (Select the largest 90-day payroll.) Item II. ..$———

Note: Ordinary payroll should not include any salaries covered under Item I, and if the coverage time under Item II of the policy has been increased, increase the time (90) in statement to correspond.

While under normal conditions most stores or plants can get back into operation within six months to one year, it is important, particularly when discussing business interruption insurance with manufacturers, to make certain that there is no unusual shutdown possibility in his plant. During World War II many manufacturing plants faced a shutdown of more than one year because of inability to replace vital machinery and equipment, and this may again occur.

One question frequently asked is whether profits on finished merchandise in manufacturing plants are included in the coverage. The obvious answer is that such profits are not included, because the coverage is limited to loss occasioned by prevention of production thereafter. The profits on finished merchandise can be properly insured by a profits coverage, or insurance predicated on a selling price basis, where permitted.

Gross earnings form

The other principal medium of business interruption coverage is the *gross earnings form,* which is ideal for most retail merchants. The measure of recovery is the reduction in gross earnings directly resulting from the interruption of business, less charges and expenses which do not necessarily continue during the interruption of business, for only such time as would be required of such time as would be required with the exercise of due diligence and dispatch to rebuild, repair and replace the property damaged or destroyed. To illustrate how simple it is to determine insurable values under the gross earnings form, you need get only this information from the prospect: his net sales (gross sales, less returns and allowances) for the preceding year, cost of merchandise sold during that year, and any other earnings in the operation of the business and expected percentage of increase or decrease in the business for the coming year. An example of the computation that would be needed is as follows:

Total annual net sales	$100,000
Deduct cost of merchandise sold	65,000
	35,000
Add other income	3,000
	38,000
Estimated increase in sales	3,500
Gross earnings	$ 41,500
Estimated insurance required for six months' shutdown (50%) ...	$ 20,750

The gross earnings form is available in most areas on a 50, 60 or 70 percent coinsurance basis and thereby provides a choice of coverage dependent upon maximum time required to rebuild and restore. If the operation involves a large amount of ordinary payroll that might be dispensed with during a shutdown, the two-item form might be more economical and should therefore be compared costwise.

Will One Fire . . . or Bomb . . . Ruin Your Company?

More than 43% of all business experiencing a serious fire never resume business . . . because they cannot replace their records.

On the other hand, in Europe during World War II, innumerable plants were able to resume production in less than a week after being gutted . . . because they had preserved good copies of their vital records.

This should be a lesson to American business.

By EMMETT J. LEAHY and ROBERT E. WEIL
National Records Management Council

ANY business, whether in manufacturing, distribution or transportation, is very much like the human body. It can be badly mauled, have some of its components destroyed and yet survive. It can resume its normal functions after an interval. Under certain circumstances it may even become more efficient than before. But, as with the human body, there are certain vital organs absolutely necessary to existence. In business, one of these is vital records.

What are vital records? To determine this question requires a policy decision. Experience of the National Records Management Council indicates the necessity for a tight yet flexible definition as follows:

"Vital records are those necessary to protect assets, sustain the equity of stockholders, and assure continued operation of the business."

Having established a sound policy, it is essential to adhere to it. Most business men, in the course of years, develop excellent refinements that are "nice to have." They swear by them. In the selection of vital records to be protected, most of the so-called refinements must be scrapped. It is a constant source of wonder to note the small number of records that constitute the hard core of essentials.

Before covering the implementation of a program, it would be well to consider some illustrations of the importance of top management decision.

It has been proved by a survey made by fire insurance companies in this country that more than 43% of business victims never resume operations after a serious fire because they can't replace their records. On the other hand, a thorough survey, made in Europe by the Council last fall on the protection of business records against the hazards of World War II, disclosed innumerable cases of plants resuming full operation in less than a week after their original building had been gutted.

They were able to find another location in which to install new machinery and they had their vital records available. In this connection, consider the plight of the manufacturing plant which finds its machine tools and physical equipment intact after a disaster, but its vital engineering drawings destroyed.

An effective policy decision will control the cost of your records protection program. Under normal circumstances, the average company that does not have an adequate records management program is struggling, largely unaware, under the burden of an excessive record management cost. The accompanying chart illustrates the savings that can accrue with efficient management:

Vital records preservation is a superimposed program. It is projected against a potential. It must be highly selective and discriminating. It can have no place for fat. To illustrate: A company receives daily reports from branches of stock on hand, new deliveries and sales. These are voluminous. In the ordinary course of business it prepares monthly balance sheets. The balance sheets are small in comparison and afford a basis for reconstruction. The latter would be the vital record. It would be less costly to undertake the one-time cost of reconstruction from a monthly base point than to duplicate and store a mass of working material.

Methods of Protection

While there are certain broad principles which are generally applicable to vital records protection, there is no single solution, no standard plan that can fit every company. Each concern presents a special problem because of the nature of its business, its size, its location, its organization, etc. Some solutions that immediately come to mind are worthy of examination in order to

TYPICAL LIST OF VITAL RECORDS

Technical Reports	Accounts Receivable
Process Reports	Accounts Payable
Engineering Drawings	Inventories
Tax Returns	Stockholders Lists
Property Records	Title Deeds

weigh their merits in the average situation.

Mass evacuation of the entire plant to a safe location is one. Generally speaking, this is not feasible or economically possible, because of such factors as unavailable trained manpower and personnel housing at the new location or because of proximity to sources of power, nearness to markets, transportation and distribution factors, etc., at the current location.

Splitting up the plant into duplicating segments is another. Normally increased overhead as well as the factors already mentioned militate against this solution. Removal to a safe location of certain departments, such as accounting, is a third. In this instance, the outstanding problem is the delay and impairment of efficiency that can result from separation of closely interrelated activities. Such departments tend to work in a vacuum, and become divorced from reality.

Mass evacuation of original current working records is a fourth. These records in their original state cannot be physicaly evacuated due to the recurring need for operational reference. Their mass duplication and subsequent evacuation is one of the very factors a discriminating program will eliminate. Having, in the average case, disposed of the more apparent but costly solutions, there remains the selection of more ideal means.

Findings of the Council based on association with the planning already implemented by leading corporations in this country leads to the conclusion that basic inventory and appraisal of all company records is essential. This method places the specific record in its relation to the total structure. It discloses its vitalness, opens for consideration alternate possibilities for reconstruction purposes and enables decisions to be made as to method. It will at the same time afford the basis for a total records management program which, if undertaken, can save far more than the cost of vital records preservation.

In the course of inventory and appraisal, it will be found that four methods become available for the protection of vital records:

1. Built-in dispersal.
2. Improvised dispersal.
3. Evacuation.
4. Duplication.

1. **Built-in dispersal** will be found to exist in the case of those vital records which originate in the field at various plants or branches. At the time when such records are forwarded to the central office, they are made out in duplicate and a copy is retained at the outlying plant or branch. Since the purpose of the program is to assure a safe copy of reconstruction in the event of disaster, these already automatically dispersed copies are sufficient for that purpose on the basis that the disaster would not befall all these locations simultaneously This method takes advantage of existing circumstances and involves no expense until disaster strikes.

2. **Improvised dispersal** becomes a method when, in the course of inventory and appraisal, study of the operation discloses a record prepared in several copies all intended for internal use. At this point, examination of procedure may point the way to minor changes which would not interfere with daily activity and yet would release a presently used copy for dispersal to a secure vital records center. Such an instance might well be accounts receivable invoices prepared in a number of copies.

It is appropriate here to highlight the dispersal or records center. It should be outside of a primary target area, close to good transportation and communications nets. It should be a fireproof structure with large open work areas suitable for records shelving. The clear ceiling should be at least 12 feet. Light and heat should be available. The floor loading capacity should be 175 lb. per sq. ft. or more. Covered tail-high truck loading platforms are advisable.

Most important of all is that the records to be stored should be under control so that ready reference service is available. The center, of course, must be manned. Some companies are large enough to support their own records center. Smaller companies will turn to organizations such as the Business Archives Center in New York City and outlying banks which maintain safe centers outside major target areas.

3. The **evacuation** method can be applied to certain seldom referred-to-original vital records. These records are usually small in number and are of the type that retain great significance to the company although, once they accomplish their initial purpose, they are seldom again required. Again costs are reduced to a minimum. During World War II, the Bank of England, for example, sent such records from London to Montreal; other companies evacuated similar records to New York.

4. **Duplication** is the method about which there appears to be the most confusion. It can be extremely costly if used haphazardly. If consideration is first given to the other means noted, then duplication is used only when necessary. The means of duplication are many. They are not confined merely to the form presently most popularized—microfilming. Records can be duplicated by being handwritten, typewritten, carbon copied, photostated, photocopied, microfilmed, etc.

The choice should be governed by: (a) the physical proportions of the record; (b) the volume to be duplicated; (c) the number of times the duplication need be repeated; (d) the intervals at which the duplication will be required; (e) the cost of the types of duplication available; (f) which means affords the quickest copy of the record.

Microfilming plays a role in this problem but because of its cost it requires discriminating use. It is most suited for large volume reproduction. If, for example, carbon inserted ledger pages are feasible in daily operation, it would hardly pay to microfilm the ledger. Further, in

(*Continued on page 38*)

It takes two to make a bargain. If your customer doesn't live up to his side you should

Know Where You Stand

by ARTHUR T. WASSERMAN
Attorney, Wasserman & Slater, Boston

THE Uniform Sales Act has been adopted by thirty-four States, the District of Columbia, Alaska and Hawaii. It is not law in Florida, Georgia, Kansas, Louisiana, Mississippi, Missouri, Montana, New Mexico, North Carolina, Oklahoma, South Carolina, Texas, Virginia and West Virginia. However, if you are from any of these States, your laws undoubtedly contain many of the provisions of the Sales Act.

Bulk Sales Law

The first subject which we will touch upon is commonly referred to as the Bulk Sales Law. Many of the States have adopted the Bulk Sales Law as part of the Sales Act or by separate statute. Generally the law provides that the sale in bulk of any part or the whole of a stock of merchandise, otherwise than in the ordinary course of trade, and in the regular and usual prosecution of the seller's business, shall be fraudulent and void as against the creditors of the seller, unless certain formalities are complied with before the sale is made.

The following acts are required to be performed a certain number of days before the sale is made:

1) A detailed inventory must be prepared showing the quantity and cost to the seller of each item included in the sale.
2) The purchaser must demand and receive a written list of creditors with the amount due and owing to each and certified to by the seller.
3) The purchaser, before taking possession or paying therefor, must notify every creditor of the proposed sale and of the price, terms and conditions thereof.

Are you safe

When you receive such a notice you must immediately decide whether you are safe in waiting for your indebtedness to be paid, or whether you should take action. The answer to this question depends upon the circumstances of the particular transaction. If the vendor (debtor) is financially sound, and has been meeting its obligations satisfactorily, and in the notice states that all obligations will be paid by it, you need have little concern. Or again if the buyer is financially sound and in the notice assumes payment of all obligations, you need have little concern.

But where the seller (debtor) has been running slow, and is not in sound financial condition, and the notice does not specify who is to pay the obligation, *act quickly*. Notify both parties that unless you receive immediate payment, you will move to stop the sale. If you do not receive payment, lose no time in placing your claim for immediate suit. Be sure and give your attorney all pertinent information so that he may take appropriate action without delay.

Unpaid seller

The Sales Act, after defining the right of buyers and sellers, with respect to the transfer title, risk of loss and duty of buyer to pay and seller to deliver, goes on to define and fix the rights of the unpaid seller. It gives the unpaid seller, even though title has passed,

1) a lien on the goods or right to retain them while in possession of them;
2) a right of stopping them in transit after parting with possession;
3) a right to resell, and
4) a right to rescind.

If title has not passed the unpaid seller has a right to withhold delivery co-extensive with his right of lien and stoppage in transit where title has passed.

Possession and title

For a better understanding of the discussion which is to follow, let me

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This is the text of an address given before the Floor Coverings and Furniture Group during the 55th annual Credit Congress in Boston, Mass.

briefly point out the distinction between possession and title. As a general proposition title to specific merchandise passes to the buyer when the merchandise has been appropriated to the contract. Appropriation to the contract is the actual filling of an order, and as soon as the merchandise has been taken from your general inventory and set aside for the buyer, title passes. The merchandise is now the property of the buyer, but possession remains in the seller.

Carrying this reasoning one step further, when merchandise is delivered to a carrier, title is in the buyer and possession in the carrier. Of course this may be completely changed by the terms of a special contract which provides that title does not pass until actual delivery to the buyer.

When is he "unpaid"?

The seller is deemed to be unpaid—

(a) when the whole of the price has not been paid or tendered, and

(b) when a bill of exchange or other negotiable instrument has been received as conditional payment and the condition upon which it has been received has been broken by reason of dishonor of the instrument, insolvency of the buyer, or otherwise.

If the unpaid seller retains both title and possession of the goods there can be no question as to his legal capacity to deal effectively with them. You all no doubt remember the old saw that "possession is nine-tenths of the law." The rights that I am about to discuss are to a large measure based upon possession, or right to possession, and as you will presently see, under these circumstances, you are nine-tenths sure of obtaining the return of your property or payment of the obligation. However, if you have both title and possession, you are one hundred per cent protected.

Unpaid seller's lien

The Sales Act gives the seller a lien on the goods even though title has passed so long as the goods remain in the seller's possession, if,

(a) the goods have been sold without any stipulation as to credit,

(b) if the goods have been sold on credit but the term of credit has expired,

(c) if the buyer becomes insolvent.

If the goods have been sold without any stipulation as to credit, it is quite easy to understand why the seller need not deliver until receipt of the purchase price. One of the fundamental principles of the Sales Act is that in all sales, other than those on credit, the delivery of the merchandise and the payment of the purchase price are concurrent conditions; but you, as credit men, are concerned with the problems that arise out of sales on credit.

If the merchandise has been sold on thirty days' credit, has been appropriated to the contract and has been held for the buyer's account, possession remains in the seller, title is in the buyer, and the seller has a lien against the goods at the expiration of the term of credit.

If, while the goods are in the seller's possession, and being held for the buyer during the term of credit, the buyer should become insolvent, the seller has a lien against the goods.

Possession is essential

You will note that the lien in each case of the above situations is based on possession. It is defeated by the loss of possession. However, if possession is reacquired, as may happen when the buyer refuses to accept delivery, the lien is reinstated.

If the goods have been delivered to a carrier for shipment to the buyer, and the buyer becomes insolvent during the time that the goods are in shipment, the seller may acquire a lien by stopping the goods in transit. This right is commonly known as "Stoppage in Transitu." It may only be exercised when the buyer becomes insolvent; that is, has either ceased to pay his debts in the ordinary course of business or cannot pay his debts as they become due.

Therefore, if you obtain information after the goods have been put in transit that the buyer is running slow in meeting his obligations, you may exercise your right of stoppage in transit.

Now, let us assume that by reason of the expiration of the credit term, the insolvency of the buyer, the exercise of your right of stoppage in transit, or the return of the goods by the buyer, you have possession but title remains in the buyer.

What is your position?

Resale by the seller

The Sales Act provides that under certain circumstances the unpaid seller having a lien may sell the property.

Where the goods are of a perishable nature, or where the seller expressly reserves the right of resale in case the buyer makes default, or where the buyer has been in default in the payment of the price an unreasonable time, an unpaid seller having a right of lien, or having stopped the goods in transit, may resell the goods. He shall not thereafter be liable to the original buyer, upon the contract to sell or the sale, or for any profit made by such sale, but may recover any damages that he has sustained from the buyer.

It is not essential that notice of the intention to sell or of the sale be given to the buyer, but failure to give notice of the intention to sell is relevant on the issue of whether the buyer is in default in payment an unreasonable time. The law is satisfied with a fair sale, made in good faith, according to established busi-

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Mr. Wasserman graduated from Colby College, and received his LL.B. degree from Boston University School of Law in 1934. He was admitted to practice in Massachusett in 1934, and the United States District Court for the District of Massachusetts in 1935.

In 1948, he served as Recording Secretary of the Commercial Law League of America. He has become well known as a lecturer on legal aspects of collections and bankruptcy law. He is at present a member of the Boston Bar Association and the American Bar Association.

Mr. Wasserman served with the United States Army from 1943 to 1946 and saw active duty in the China, Burma and India theatre of operations.

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ness methods and with no attempt to take advantage of the buyer.

While, as you have observed, the law does not require that notice of intention to sell or of the sale be given to the buyer, the safer course to pursue, however, is to notify the buyer fully of the intended sale and of the time and place of the holding of the sale so that the buyer cannot thereafter complain that an inadequate price was obtained. A good form of notice should state that you intend to exercise your unpaid seller's lien by selling the merchandise at the best price obtainable at a designated time and place and that you will look to the buyer (debtor) for whatever damages you may sustain.

It is also important in taking back goods which have been refused by the buyer to notify him that you are not accepting the goods by way of recision but that you will either hold the goods as his property, or sell them as his property, in exercise of your lien as an unpaid seller.

Recision by seller

The Sales Act provides that the unpaid seller under certain conditions may consent to a recision of the contract, that is, a placing of both parties *in statu quo*. Where the unpaid seller elects to rescind the contract he is not therefore answerable to the buyer, but may recover from the buyer any damages arising out of the buyer's refusal to pay for the goods. The transfer of title from the seller to the buyer is not rescinded until manifested by notice to the buyer, or by some overt act. Again it is good practice to notify the buyer that you are treating the sale as rescinded, and the merchandise and the title to the merchandise is revested in the seller, and that you intend to look to the buyer for damages.

I have been frequently asked by credit men what they should do when the buyer refuses to accept delivery. On many occasions it has come to my attention that the seller has refused to accept the return of the merchandise and that during the period while action is pending, to enforce payment of the purchase price, the merchandise has been sold by the carrier for charges. This usually develops after judgment has

(Continued on page 39)

LARGE LOSS FIRES

account for twenty per cent of total fire loss

For a number of years the record of large loss fires—those over $250,000—reveals that such fires grow out of failure to observe three fundamentals of fire protection:

1. Prompt discovery of fire and transmitting the alarm.
2. Automatic sprinkler protection for high hazard areas.
3. Provision of fire retardant barriers such as fire walls and fire doors.

Analysis of 243 large loss fires in 1950 shows that in manufacturing plants alone there was no automatic detection equipment in 76% of the cases, no automatic sprinkler protection in an equal number and insufficient fire division walls in 71%. Provision of these fundamental protective features would have undoubtedly reduced the dollar loss substantially.

The damage resulting from these large loss fires amounted to more than $152,000,000. While this represents less than one-half of one per cent of the total number of fires, it accounts for twenty per cent of the total fire loss. Even these figures fail to take into account the many indirect losses that arise after the flames have been extinguished; customers are forced to take their business elsewhere; employees may have to seek other jobs; valuable records may be destroyed and dividends to stockholders may cease.

The vulnerability to fire at night is brought out by the fact that over 60% of *all* fires occurred during the hours of darkness. Half of the large fires in the manufacturing plant group originated during operating hours when, presumably, they were detected in the early stage. These two facts emphasize the need for providing adequate automatic protection and a well-organized, well-trained private fire department. Investigation after a fire usually reveals that sufficient forethought is not given to the organization and training of competent employees in the proper use of fire protection equipment which has been installed for the specific purpose of adequately handling any fire emergency. Periodic review, by plant management, of the adequacy and competency of plant protection personnel on duty at all hours is essential at every industrial property.

Prompt extinguishment of fire before it reaches serious proportions is especially vital today with industrial mobilization proceeding on an emergency basis. Every interruption of production facilities means lost time and lost out-put when both are essential.

Full scale production requires full scale protection. Protection should keep well ahead of plant expansion. The plant protection department should be directly responsible to top management and should exercise rigid control over welding, maintenance procedure, housekeeping and the segregation of special hazards.

FIX IT *BEFORE* THE FIRE!

The theory of

FIRE HAZARD RELATIVITY

by CHESTER I. BABCOCK
Manager, Fire Record Department
National Fire Protection Association

IN our opinion there is no subject more worthy of careful attention by those responsible for plant fire safety than the record of serious industrial fires that are occurring with increasing frequency in the United States and Canada. A year ago we were able to report a 27% decrease in the number of large loss industrial fires in 1949 as compared with 1948. At that time we wondered whether half measures, disinterest and lip service to fire protection were at last being supplanted by well rounded programs of fire safety. We dared to hope so—but the record of 1950 showed that our hopes were ill-founded and premature! There were 24 percent more industrial fires in the United States and Canada in 1950 with loss of $250,000 or more than in 1949, and if the record of the first quarter of 1951 continues throughout the year, this year will exceed 1948, the worst on record.

So much for the record. What suggestions can we make to plant fire safety supervisors to assist them in their efforts to protect their properties from fires such as these? One suggestion that I can make without any hesitancy is that they study carefully the reports of large industrial fires—all industrial fires, not just those identified by their occupancy class as being similar. For, after all, the whole science of fire protection is based on a knowledge of fire behavior under varied conditions and what better place to learn this behavior than from actual fire experience (preferably not your own)!

There are three things a good fire protection engineer should know that a study of large industrial fires will give him. First, he must be able to recognize specific hazardous conditions; second, he must be able to evaluate how human acts may affect those specific hazards; and, third, he must be able to appreciate the relationship of one particular condition to other fire protection weaknesses. It is well known that serious fires are usually not due to one particular fire protection weakness but are the end result of a combination of factors, each one of which makes a vital contribution to the spread of fire. Analyses of large loss fires, such as those published in the January NFPA *Quarterlies,* give clear indication of what fire protection and human weaknesses are the most frequently encountered in large industrial fires, but in order to best appreciate the interrelationship of contributing factors, or as we might call it *the theory of fire hazard relativity,* it is helpful to study case histories.

To explain more fully this *theory of fire hazard relativity* I would like to review with you three large industrial fires that have occurred this year. These fires have been chosen at random. Others would serve equally well.

First Example

Let's look first at a 14,500 sq. ft. 3-story masonry-walled, steel-framed plant at Hickory, North Carolina, occupied by a manufacturer of chair and bed springs. Had a fire protection engineer made a survey of this plant on February 14 these are some of the weaknesses in its fire safety he would have noted: (1) that the building was unsprinklered and floor areas were not subdivided; (2) that employees smoked while working; (3) that the watchman was not aware of the presence of a fire alarm box outside the building; (4) that kerosene-soaked sawdust was allowed to collect on the floor; (5) he would learn that it was the custom in this plant to lubricate wire entering spring coiling machines by drawing the wire through a handful of kerosene-soaked waste and that the sawdust was provided to collect the drippings; (6) he would notice that the ceiling of the first story was saturated with some sort of liquid that apparently came from the second story; (7) on his way to the second story to investigate this condition further, he would note that the stairway and elevator shafts were open; (8) in the second story he would find several dip tanks without covers, each containing from 30 to 50 gallons of highly flammable enamel; (9) he would have noticed that this second floor was saturated with enamel that had overflowed the tanks and dropped from springs as they were carried to gas-fired ovens, this last condition undoubtedly accounting for the liquid-soaked first story ceiling; (10) in inspecting the ovens he would have checked the manual shut-off valves on the 2-inch supply main and discovered that there was no

This is the text of an address before the Industrial Group Session of the 55th Annual Meeting of the NFPA. It is reprinted with permission from the Quarterly of the National Fire Protection Association.

outside shut-off provided, the only valve being inside the building on the first floor; (11) finally, he would have noted that an 8-inch brick wall separated the plant from an adjoining 1-story sprinklered hosiery mill. He might question the resistance of this wall under fire conditions but would probably decide that since the hosiery mill was sprinklered, the exposure threat to the spring manufacturing plant would be overlooked. It is interesting to note, however, that had the engineer been making a survey of the fire vulnerability of the hosiery mill, he would be justified in doubting whether it was adequately protected against exposure from fire in the unsprinklered spring manufacturing plant.

These are some of the conditions he would have noted. Each was in a sense an isolated, separate problem. However, being familiar with fire behavior, he would have immediately visualized the relationship of these hazardous conditions one to another and, by applying the *theory of fire hazard relativity*, ***would have*** realized that through the combined effects of these hazards a fire starting anywhere in the building would be likely to destroy the entire structure, as, in fact, it did later on the same day as this hypothetical inspection.

The fire actually started at 11:00 P.M. on the first floor in the kerosene-soaked sawdust. In the opinion of the owners, the fire was caused by the careless smoking of an employee. It was reported that first aid appliances were provided, but fire spread so rapidly that no attempt was made to use them. Flames ignited the paint-saturated ceiling, spread rapidly across the ceiling to the open stairway and elevator shaft, and up these openings to the second story where dip tanks and paint soaked floors were quickly involved. In the meantime the plant watchman had attempted to give the alarm over the plant telephone and, on finding the line dead, went down the street to use a phone in a pool room, disregarding the fire alarm box near the plant.

Firemen found the building in flames and were unable to enter the first floor to shut the valve on the gas main which had broken and was feeding gas to the fire. Needless to say the building could not be saved and all efforts were directed toward protecting the adjoining hosiery mill. During the fire, part of the 8-inch brick wall separating the two structures collapsed but, through the combined action of sprinklers and hose streams, most of the hosiery mill was saved.

Second Example

Another fire which emphasizes the importance of recognizing the manner in which hazardous conditions can combine to cause disastrous results occurred January 9 at a plant manufacturing laundering compounds at Omaha, Nebraska. Here again, had a fire protection engineer made a survey of the plant he undoubtedly would have visualized the distinct possibility of a serious fire, although it must be admitted that some of the hazardous conditions were not so evident as at Hickory, North Carolina.

This plant was in a 3-story, brick, wood-joisted structure with open finish; 5,500 sq. ft. floor areas were undivided, and stair and elevator shafts were open. No automatic protection was provided and although there appeared to be an ample supply of first aid equipment, at least some of the employees were not familiar with the operation of these devices. Our fire protection engineer would have noted all these points and made a mental note that these

(*Continued on page 26*)

We put all our accounts on rigid seven-day terms

. . . And They Liked It!

By O. H. JUDD
Treasurer and Credit Manager, West Coast Grocery Company, Tacoma, Wash.

THERE was a time when wholesaling groceries on 30 day terms was the rule rather than the exception, but today the grocery world, as well as the food industry at large, has come to look upon short-term credit as a distinct advantage to both supplier and retailer. This position was not reached overnight, and there are still countless grocery wholesalers who have not revised their viewpoint.

In the case of West Coast Grocery Company, a great deal of thinking preceded our shortening of terms, but once the decision to do so was reached the change was made with amazing ease and with outstanding benefits to both us and the retailers we served. My thinking on the matter was not entirely objective, for I had been working with overdue accounts for many years, delinquent accounts that involved more money than I care to recall. Suffice it to say, the retailers involved had placed themselves in hazardous positions, to say nothing of the fact that they were making bankers out of us, a function we did not enjoy and were not equipped to perform.

Something had to be done

During the fourteen years in which I toiled over those old accounts, attempting to salvage what I could for my firm and at the same time do everything possible for the retailer, I grew into the decision that no such situation should again be permitted to happen. That much I did know, although I had not yet reached the point of determining exactly what to do. It seemed to me there was something wrong

in a wholesaler-retailer relationship that allowed the latter to jeopardize himself through the credit policy of the former, a policy, too, which often worked toward loss for the wholesaler.

In practice, our 30 day terms were lengthened to 40 and 50 days simply by tardiness on the part of the retailer in mailing his check. More often than not, 30 days became 60 days, and that situation became so commonplace that an account was not even apt to be viewed as delinquent until after the 60 day period had passed. A far cry, indeed, from our stated terms of 30 days! The net result was two-fold.

Payment of current invoices was slow, at best. The credit position of a retailer could become precarious long before we were aware of that fact, all of which meant that we were carrying the retailers, financing them in business, as it were, to the possible detriment of our own cash position. There was a greater hazard, too, that a retailer would fail and close his doors before we were aware of the fact that he was in trouble. When a retailer can delay payment of an invoice for at least 60 days and in the meantime live off his supplier for all the additional merchandise he needs, the situation is not ideal, to put it mildly.

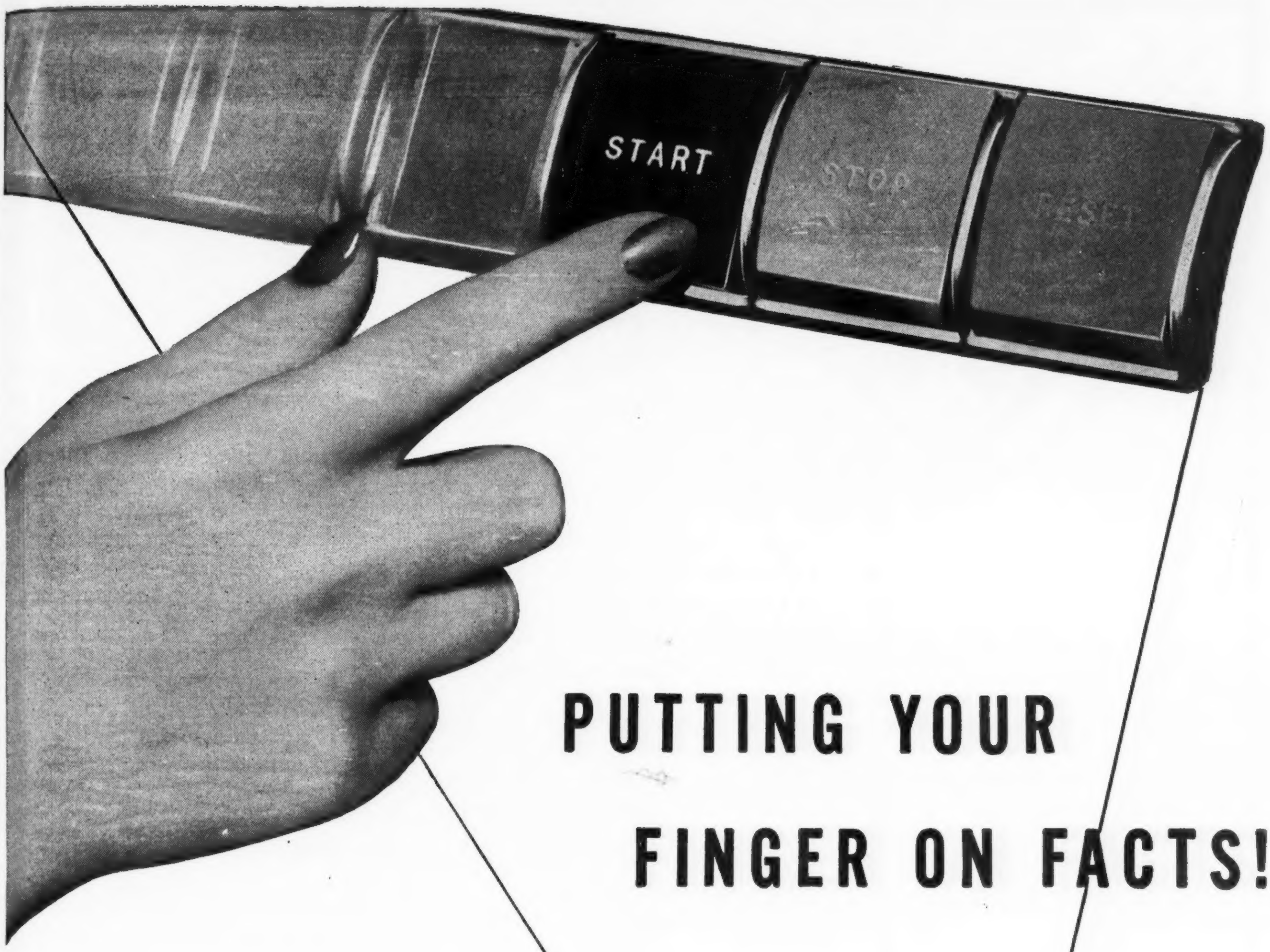
During the boom years of World War II the 30 day term situation corrected itself in some degree merely because of the plentiful cash which characterized that period. Overdue accounts became something of a rarity and both retailer and wholesaler were doing business on a more healthful basis. Within the company I represent, price policy changes had made our position more competitive. Our prices were right and retailers were eager for our merchandise.

The Time to Strike

To me, the situation seemed ideal for shortening of our credit terms and as indications pointed to an end of the war, I put my arguments in favor of seven day terms in writing, aligning the facts which would benefit us as a wholesaler, the retailers, the sales picture and the credit situation generally. I outlined my thinking on the advantages of weekly terms, as follows:

Financial advantages to us:

1. Improved financial statement;
2. Release of capital for other business requirements;
3. Reduction or elimination of borrowed funds;
4. Saving of interest on borrowed capital;
5. Reduction or elimination of bad debt reserve;



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6. Increase in capital turnover on outstanding accounts;
7. Steady and even flow of working capital through rapid collections.

The credit aspect:

1. Shortened terms make more rigid control possible;
2. Permits open terms for almost any account;
3. Permits terms in the face of secured creditors;
4. Makes for more flexible credit operation;
5. Reduces credit losses to a minimum with proper functioning of credit department;
6. Makes for more alertness in policing and control of accounts;
7. Immediately identifies financial weakness in an account and sounds the alarm early;
8. Completely divorces a current account from one demanding financial assistance;
9. Provides a sound basis for account control;
10. Drives additional business into cash sales.

The customer's point of view:

1. Most accounts know that weekly term credit is good business;
2. Prevents excessive credit with their own accounts;
3. Provides leadership for our customers;
4. Assists them in their own collections;
5. Provides incentive for increased cash operations of the self-service type store;
6. Leads toward more efficient retail operation.

Sales Development:

1. Makes collections by the salesman easier;
2. He has a tendency to sell more with a paid-up account;
3. Assists salesman with open terms through reduced resistance to sales;
4. A retailer rarely will have a delinquent wholesale grocery account as a barrier to a sales approach;
5. Makes the work of a salesman more valuable individually through rapid turnover, gives him a better command of the situation and instills confidence;
6. Makes dealing with marginal accounts safer;
7. Increases our scope of sales effort.

Breaking The News

That, then, is a summary of my thinking which led to adoption of the seven-day term of credit. Once we reached our decision there was no delay in announcing it, and we addressed the retailers with a form letter that gave them a minimum of 60 days' notice of the change. The letter read as follows:

"May 1, 1945

Dear Customer:

Beginning July 1, 1945, we have decided to change our terms from 30 days to a weekly basis.

This change has no bearing on your credit standing—it's policy. It seems fitting that we make this change on the date indicated because it ties in with certain post war plans which we have in mind.

Many of our accounts now pay on a weekly basis or voluntarily buy for cash. We do not feel that this change will seriously affect the majority of our customers, as most of them have enjoyed a number of years of unprecedented prosperity.

If you are now paying your account on a 30 day basis, your June statement will be due and payable July 10. Your first week's business in July will be due on the same date, July 10, and each succeeding week's business will be due on Wednesday following. If a salesman is now calling you would naturally pay him, but if not, it is requested that you mail your check to our office.

We would appreciate your acknowledging this notice at your convenience."

No resistance

The die was cast the minute those announcements went in the mail, and we sat back to await the reaction, expecting at least some resistance. Actually, we had none, and I was utterly amazed at the readiness with which the shorter term was accepted. Of all our accounts, only twelve retailers required time to work out their old balances. In the meantime, however, they paid their current invoices.

When our first statements under the new policy went out, we accompanied them with a brief note reminding our customers of the shorter term and giving the exact date current invoices were payable. The note read:

"As per our notice of 60 days ago, your first week's purchases will be due and payable with this statement, July 10th."

Eliminated Statements

Within a few weeks it was obvious to us that statements were superfluous and constituted a loss of labor, stationery and postage. Most of our accounts were paying by invoice and it seemed certain that all of them would do so with a

little encouragement. Thus we mailed out this notice:

"Beginning August 15, we will discontinue mailing ALL STATEMENTS. We find that a great majority of our customers are PAYING BY INVOICE and do not use or require a statement. If a statement is essential in your business, please sign the enclosed card and return."

The postal card we enclosed for signing by those whose office systems required statements was short and to the point: "To meet our accounting requirements, please forward monthly statement."

And there you have the entire story of the mechanics involved in our change from 30 day to seven day credit terms. Save for the very few accounts that needed help in settling old balances, the shift was made with ease.

Discount Policy

We offer quantity discounts for volume buying, which are paid in cash. This is figured on a monthly basis and is paid by us to the customer by our check no later than the 20th of the following month. It begins on a monthly volume of \$1000 and is as follows: 1% on \$1000 to \$1499, 1¼% on \$1500 to \$1999, 1½% on \$2000 to \$2999, 1¾% on \$3000 to \$3999, and 2% on everything over \$4000—if invoices are paid on weekly basis.

It does not include these items: shortening, milk, sugar, soap, cigarettes, and fair traded items.

We pay another additional discount to all customers who help the driver unload the truck and have their new order ready for him, or the salesman, or who have mailed their order in, providing they pay cash on delivery. This discount is ½% on a volume of \$2000 to \$3999, and 1% for volume over \$4000.

Since the development of our short term policy and adoption of our quantity and cooperative discounts, our business has quadrupled in volume, and a good share of that increase may be traced directly to this adage: "The cleaner an account is, the more it buys."

Advantage

As to the advantages of the seven day term, I can refer you back to my original thinking on the question, with the knowledge of experience that every one of them has proved out as indicated, benefiting the customer, us, sales and the credit picture generally. Both we and the retailers are in better positions all the way around, and neither of us is worrying extensively over delinquent accounts.

We have found that the discounts stimulate orders, are conducive to prompt payment, and reduce delivery costs. They are possible and practical on our wholesaler-dealer plan of operation, thus eliminating any hazard of overdue balances.

To the somewhat obvious question of whether conditions at the moment are suitable for changing from long-term to short-term credit in the wholesale grocery field, my answer would be "yes". The trend has been that way in recent years and my estimate is that 85 percent of the retail food business generally is done on a cash basis. This would seem to be indication enough that short-term credit is desirable, to say nothing of being entirely advantageous to wholesaler and retailer alike from every standpoint.

You wouldn't think so, perhaps, but this is a serious question

What IS Co-insurance?

by EDWARD S. PAGE, JR.
General Manager, Metropolitan Department, North America Companies

THERE have undoubtedly been more articles written on the Coinsurance Clause than almost any other clause in an insurance policy, and yet there is no single factor which causes more trouble, misunderstandings, bad feeling, and actual hardship when a loss occurs, particularly in these days of inflated values.

It is important to remember that until a loss actually occurs the whole question of coinsurance is purely an academic one. It is only then that the questions of coinsurance and insurable values come back to haunt the uninformed insurance buyer.

Reduced rate

From the standpoint of the insurance buyer, the Coinsurance Clause is nothing more or less than an agreement between himself and the Company whereby he agrees to carry insurance equal to a stated percentage of the actual cash value of the property to be insured, in return for which he secures the benefit of a reduction in rate. If he does not carry insurance equal to that required percentage he msut contribute to the amount of the loss out of his own pocket to the extent that his insurance is less than the required percentage.

In Fire Insurance the coinsurance requirements ar generally either 80% or 90%. However, policies may be written without coinsurance at a marked increase in rate or subject to 100% coinsurance at a further reduction over the 80% or 90% rate. As respects other forms of coverage such as explosion, riot, windstorm, water damage, etc., coinsurance requirements range from 5% to 100%. It is up to each insurance buyer and his agent or broker to determine which coinsurance percentage is most advantageous for his particular situation.

Edward Sydenham Page, Jr., is chairman of the insurance committee of the Credit Men's Association of Eastern Pennsylvania. He has been associated with the North America Companies since 1923 and has progressed through various departments until his appointment to his present position in 1950. A graduate of Princeton University, Mr. Page served in both world wars.

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Advantages

The Coinsurance Clause when understood and complied with affords the following advantages to the insurance buyer:

1. A substantial saving in premium.
2. The necessity of securing an accurate valuation of the property to be insured so that he may comply with the coinsurance requirements.
3. The necessity of reviewing these values periodically.

Assuming that insurance is to be written subject to some coinsurance percentage, the next problem is to determine values in order to decide how much insurance must be carried to escape the penalties of non-compliance.

The value of the property to be insured, for the purposes of insurance, is the replacement cost at the time of loss less depreciation. It *is not*—and we repeat IS NOT—cost, selling price, book value, taxable value or any other basis of valuation.

Determining values

There are several recognized methods of establishing values for insurance purposes, outside of the property owner's own estimate:

1. By engineers, architects, contractors, insurance agents and brokers. Normally valuations from these sources are based on the cube or square foot method of estimating the values on buildings. They seldom will estimate the value of machinery and equipment and other contents.
2. By Insurance Companies or Associations. Valuations from this source are usually more detailed but they are not appraisals nor do they generally include any property other than the building.
3. By competent appraisal companies. This is by far the best source as they provide a detailed report which:
   a. Determine the insurable value.
   b. Details classified property facts which assists in preparing the form.
   c. Determine the value of permissible exclusions.

d. Furnishes the allocation of insurable values so that specific coinsurance percentages may be safely used.
e. Makes immediately available the proof of loss in case of fire.
f. Furnishes periodically revised values in accordance with changes in property, fluctuations in replacement costs, and depreciation factors.

Frequent omissions

If an insurance buyer, in the absence of a detailed appraisal, would take the time to project himself into the future and work backwards from a theoretical loss in order to ascertain just how he would be affected by coinsurance and his insurable values, in the large majority of cases he would find that either he had neglected to include all the property which should have been included or that he incorrectly valued such property for insurance purposes. Among the omissions most commonly encountred are:

1. Small fixtures, machinery and equipment, piping, wiring and the like which, while individually are of small value, nevertheless, in the aggregate constitute enough value to seriously penalize him in the event of a loss.
2. Drawings, patterns, and dies which in the case of metal workers are not only vital assets, but which constitute high values.
3. Property of others for which they may be legally liable, and which are not otherwise insured under a bailee form of policy.

The question of correct insurable values and their relation to and effect upon coinsurance requirements are not matters which should be solved by a guess-estimate. If they are wrong, then it is only a question of how wrong, which spells the difference between a serious loss or insolvency. At least one out of every four of our insureds having a loss during the past year and whose policies are written with a coinsurance clause have been forced to pay a portion of the loss themselves. This is a pretty heavy price to pay for carelessness or lack of knowledge.

"GUARANTIES ARE POISON!"

By ROY E. RODDY

SOMETIMES you stumble upon stories in the most unexpected places—like that evening when we stopped in to visit Mort. Mort, by the way, likes us to remember that he too was one time a credit man of sorts—his own credit man, Mort was. Today he takes life easy in the little office of Mort Jr., who sells things on a lot near a busy corner. Old Mort keeps the books and putters generally. He loves to talk and always has time, if there's an attentive listener handy and he seems to think that we (being not ourself loquacious) qualify for that.

"How's the credit business?" he inquired.

We told him it was about as good, these days, as any other business we knew of. (A purposely innocuous answer, mere preliminary palaver—we wanted him to do the talking.)

He handed us an orange, and peeled one for himself.

"You sell Doakes, down on Callowhill?" he asked.

"Yes."

"Pay you all right?"

"Prompt."

Mort put his orange peelings on the hot top of the little office stove. "They make a smell like that stuff the women burn at parties, only nicer," he explained. "You got anything on him besides a statement?"

"Guaranty."

"Hmpf," said Mort. "You better watch Doakes. . . . And guaranties are poison."

"Why do you say that? We take lots of guaranties."

"They make trouble. If the man that signed was good the one he signed for probably was too—and if he ain't and you try to sue him for it he gets out of it some way. You never know how good a guaranty is until you try to collect on it. Then comes headaches."

"Seems to me, Mort, that your reasoning is fallacious."

"What?"

"Fallacious—not valid, illogical."

"Oh. You mean it don't make sense. Why?"

"Well, we always feel that a guaranty is as good as the person who signs it."

"Maybe," said Mort. . . . "You want to hear about me and Suggs? . . . All right. One time when I had my own business I was crediting this man by the name of Suggs—Suggs Merchandising Co. was the name he went under. I watch him, figure he is making a dollar, and is okey. And even when his account gets slower and bigger I still think Joe is good. One day comes a notice from the bankruptcy court. It says Suggs Merchandising Co. has been adj—ajducated I think it said—bankrupt. I think, *'That's Joe. Joe is all right—there must be a mistake. But I better ask my lawyer.'*

" 'Mort,' he tells me, a couple days later, 'it looks like we're stuck. I looked at the sch—at the papers his lawyer filed, and there won't be much after the costs and preferred claims are paid.'

" 'But I know Joe ain't broke—he's got property outside the business,' I tell him. 'How could he be broke?'

" 'The petition was filed by the company, not by Joe as an individual.'

" 'So what?' I say, 'Ain't it the same?'

" 'Mort, you're a bit stupid, I'm afraid,' Walter says.

" 'For why do you have to get personal?' I ask. 'Sure I'm stooped. If you had done hard work all your life since you was ten years old, maybe you would be stooped, too,' I tell him.

"Walter looks at me funny. 'Did you really think you were selling Joe, and that he owes you the money?'

" 'Sure—who else? It's Joe's business, no?'

" 'Yes, but he doesn't own it.'

"Then I think, *I should get me a lawyer who talks sense.* But I am patient, and I ask him, 'Please explain how can a man own a business but not own it?'

" 'It's like this, Mort,' he says, 'Joe used that name at first as a trade style. Like, for instance, you go into the grocery business, and you put up a sign, QUALITY GROCERY CO. That would be a trade style, or what we sometimes call, a fictitious name."

" 'Ain't that legal?' I ask him.

" 'Well, it is and it isn't,' he tells me. I think again I am wasting my time, but I am a patient man and I say, 'Go on.'

" 'The law requires than any person or persons trading under an assumed name, or any name other than their own, register that name,

Mort's brainfather (and friend)

so people can look it up and see who owns the business. That isn't always done, and usually nothing happens so long as they pay their bills. But again, a man who always paid may sell out to someone who is not so good, and the new man keeps the same store name. Then, let's say a year or so later, he goes broke.

" 'Since the Quality Grocery Co. is a fictitious and unregistered name it has no legal standing. The creditors can't sue it. And since the first man has been gone a long time, it's too late for them to hold him, even if he didn't give notice. You see, creditors are allowed a *reasonable* time to find out things like that, usually ninety days or so, and if they wake up too late and try to hold the former owner for the new man's debts, usually the courts won't let them. It's the creditor's responsibility to know who he's doing business with. It makes no difference how he writes the bills, or who he *thinks* he's trading with.'

" 'Well,' I ask him, 'what's that got to do with the money Joe owes me?'

"By now I see Walter is acting patient, too. 'Look, Mort—you own stock — corporation stock — don't you? You own some Ajax common, let's say. Suppose Ajax couldn't pay their bills—you think you'd have to put up money so they could?'

"I think again about a new lawyer —this Walter is not bright. I shake my head and let him go on.

" 'All right. Joe used a trade name, Suggs Merchandising Co. Then, a year or so later, his lawyer incorporated it for him. But it is still Suggs Merchandising Co., only now there has been added in small type, *Inc.* What Joe did was to set up a corporation and take stock in it for his investment. Outside of a little piece about the new corporation that they usually put in papers that nobody but lawyers read, creditors were given no notice. . . . Didn't you pay any attention to that *Inc.* when you saw it on the checks?'

"I tell him sure, but I didn't know it meant anything—Joe is just trying to make like a big shot, I think.

" 'Now Joe owns all the stock in Suggs Merchandising Co. except for a little in his wife's name and a share in his lawyer's. Joe and the others are stockholders in that company, just as you are in Ajax. They

are going to lose what the stock cost them, and that's all. They are not going to pay the corporation's debts, any more than you would help pay Ajax's if they got in trouble. . . . You should have had Joe's guaranty.'

"*'Well,'* I think, *'maybe I need a credit man.'* I ask Walter. He says I better see if I can make a credit man out of myself. 'You go to school, Mort,' he tells me, 'go to Temple's School of Commerce, nights. See Mr. Thomas—he's with the Credit Men's Association—tell him I sent you, and have him sign you up. It'll pay you.'

"I think, *'For what Joe is costing me, I could have gone a year to college already.'* So I go to school like Walter says, and I learn plenty. . . . I thought.

"Well, after a while Suggs is back in business, in his wife's name. He wants credit. I think, *'No use to stay mad—better try to do business and get some of it back.* They had the same name, only the *Inc.* was gone. So I say, 'Okey, Joe—you guarantee for your wife and you both guarantee the name.'

"We get along all right. Then one day Joe comes to see me again. 'Mort,' he says, 'I have bought out my wife and I am taking in a new partner, name of Simpson. We're going to call it S & S MERCHANDISING CO.'

"'Inc?' I ask.

"'No, not yet. Maybe later.'

"'Okey, Joe,' I say. You sign this, have the new man sign, and here's another for your wife to sign . . . Your boy twenty-one yet? . . . All right, him too.

"So that is what they do. I think I am safe. Like Mr. Thomas said, the more names the better it is, and I have all four.

"Comes a time they get slow and then stop paying. I go there. On the door is a paper with the sheriff's name at the bottom. *'All right,'* I think, *'I got four to collect out of. Joe will come to see me.'* I wait, but he don't come to settle. I go see Walter, show him the papers. In a couple days he calls me. 'Mort,' he says, 'everything Joe has outside the business is in his wife's name, and Simpson is no good.'

"'So what?' I say. 'We got her guaranty, ain't we?'

"'Come see me, Mort.' Walter says, 'I want to talk to you.'

"I go to his office. *'This time,'* I think, *'if he tells me bad news I get another lawyer. And maybe have some words with Mr. Thomas, too. I should pay cash to go to school and then get stuck again?'*

"'Mort,' Walter says, and he shakes his head, 'it's too bad. I don't think we can make the wife's guaranty hold.'

"'Ain't it good?—ain't it signed right?' I ask him.

"'Yes, it's good now, but when she signed it, it wasn't.'

"'Oh,' I say. 'Is it maybe like when a man can own a business but not own it?' I am a patient man, but it is a new lawyer I think I need.

"'They changed the law after this was written—it would be good today—but the law is not re-retroactive, and Sugg's lawyer says they won't acknowledge it. . . . You better make any deal you can with Suggs.'

"Well, I guess I should have known better. I charge off some more, and read the book I got at school. Yes, I see where I should have learned better, so I don't call Mr. Thomas.

"You think, after that, I should have enough of Suggs? Well, I am a patient man, and when he is back again, this time in his boy's name, I sell him for cash, but after a while I let them have a bill open now and then, when nobody is there to sign a check."

"Wait a minute, Mort," we interrupted, "didn't you say you had the boy's guaranty on the other business?"

Mort grinned, looked a bit sheepish. "You caught it. I wasn't going to tell you. Walter looked it up and he was only twenty when he signed.

"So, one day Joe says to me, 'Mort, how about me and the wife signing for the boy so we won't have all this bother?' I know they would be good for it, so I have them sign and go ahead. We get along good until the boy gets into trouble over an accident. Joe takes the business over, pays everybody off, closes it up and moves away.

"The boy got himself straightened out, and one day comes to me for credit. I have him make a statement, like I learned from Mr. Thomas, and it looks all right. So we start doing business again. I see the boy is doing good. Pays every week and his checks always go through the first time. I think I don't need to watch him so close. Then bad times come, a strike closes the place where most of his customers work. He gets slow. One day, while I'm out trying to collect another slow one, they let him have a big bill on top of what he owes me. I'm burned up but that don't help. Somebody has sued him, and then a lawyer gets some of the others to put him in bankruptcy. I am sick. I call up Walter.

EDITOR'S NOTE: We asked the author for a thumb nail sketch of his career. Here it is verbatim:

Born front bedroom 411 Fourth Corso, Nebraska City, Nebr. McKinley was president, the deepfreeze was not yet, pork was smoked or pickled, and fifteen cents worth of ice kept the back porch chest cold all week. Buffalo hide coats were still affected by some upper crust hoi polloi, though mink was not unheard of. Educated public schools. Employed (1915) in business of dis-assembling range animals for human consumption. Traveled some (1917) at government expense, sailed (1918) N.Y. to Liverpool (Pvt. 1cl. Inf. #5439545). Voyage uneventful except for saddening experience with blanket roll in game of crap. Disembarked with conviction that lifetime's boiled mutton quota had been accomplished. On carefully supervised tour visited parts of England and less pleasant areas in France—not Paree. Returned (1919) (Pvt. Uncl. Inf. #5439545). Worked briefly (1922) at assembling parts into vehicles then referred to—facetiously, no doubt—as "metal Elizabeths." Returned to and presently employed (credits) by AaAl dis-assembling concern. Record: Detained (KC-1938) on account of silly ordinance governing motor vehicle speed. Investigated (Phila, 1943) by FBI—reaction negative. Warned (1949) by Lansdowne (Pa.) police—never mind what for. Married. Lives (Lansdowne, Pa.) with, and underwrites expense of, three ladies (Mary, over 21, Carol 16, Susan 11) in exchange for bed and board, use of automobile one day a week, and on business or fishing trips by special arrangement.

" 'Bring your papers,' he tells me. 'Bring all the bills, the statement he made—everything.' So I do. 'Leave that stuff with me. I'll go through it and see what we can do,' Walter says.

"A month or two go by. I'm busy, sometimes until late at night, and I got other worries. One day Walter calls. 'Your case is coming up Tuesday,' he says. 'Be there at nine.'

" 'My case?' I say.

" 'Yes—your suit against Suggs et al.—on the guaranty.'

" 'Guaranty?' I ask.

" 'Yes, that one he and his wife gave you.'

" 'Oh,' I say—'you suing them for the boy's bill?'

" 'Sure—why not? They never withdrew it, did they?'

" 'No,' I tell him, 'I guess not. But I forgot about it. I never thought it would be any good to hold against the boy after Joe paid him off and he started new.'

"I wait a moment, and finally Walter says, 'You sure you didn't depend on that guaranty when you credited the boy?'

"I tell him again that I had forgot about it.

" 'Well, if that's the case, why did you turn it over to me?'

" 'Look, Walter,' I say, 'I'm telling you again I didn't know it was in them papers.'

" 'All right. Be there at nine.'

"Comes Tuesday morning, and Walter talks to me in the hall. 'That was, ha, ha—that was just a little slip of the memory,' he says, 'what you told me the other day about not remembering you had the paper? You knew all the time you had it, didn't you?'

" 'What is this, Walter?' I ask him. 'Is it feeble minded maybe you think I am getting? Don't I tell you the boy makes me a statement—the one I gave to you—and I give him credit on that? We didn't talk about the guaranty.'

" 'Didn't you tell him, perhaps, that if he didn't pay, you were going to write to his father to settle it?'

" 'Look, Walter,' I say, 'why should I do that? It was between me and the boy.'

" 'Ha, ha, ha,' Walter says, but he don't sound funny. 'When I put you on the stand and ask you about this guaranty, what will you say?'

(*Continued on page 40*)

The Theory of Fire Hazard Reality

(Continued from page 13)

factors could combine to make the building subject to total burn-out if fire should start. A 1-story warehoure adjoined and communicated with the manufacturing building but since a 20-inch fire wall with all openings protected by standard fire doors separated the two buildings, the engineer would be justified in minimizing the probability that fire in either building would spread to the other. Of course, his knowledge of past fires in which fire doors blocked open permitted fire to spread through fire walls would not allow him to eliminate completely this possibility.

After noting these structural and fire protection weaknesses our fire protection engineer would make a careful survey of the so-called occupancy hazards in order to determine the probability of a fire starting. Here he might well have been misled since the ingredients for the various powders and solutions were for the most part noncombustible and the processes nonhazardous. One exception to catch his eye would be a 30-gallon gas-fired kettle of mineral oil which was added in small amounts to a liquid starch mixture to keep it from stratifying while on the retailers' shelves. In order to emulsify the oil properly it was the practice in this plant to warm the oil in the gas-fired kettle to 126°F before mixing.

Although this temperature is well below the 315°F flash point of the oil, our alert engineer would have been aware that cold oil when heated under such conditions is subject to local overheating and run over. He would have much preferred to see the operation conducted in a steam jacketed kettle. Here then was one potential cause of fire. Applying the *theory of fire hazard relativity,* our inspector could see how a fire originating here could spread throughout the plant because of the lack of automatic protection, the unfamiliarity of employees with manual fire extinguishers, the undivided floor areas, and the open stair and elevator shafts. He may well have discovered other potential fire causes and hazardous conditions also, but these are the ones which, through their combined presence, caused the burnout of the building last January 9.

At 8 o'clock in the morning, a Monday, as the plant was opening for the day's operations, an employee lit the gas under the 30-gallon oil kettle to heat the oil which had been standing over the week-end and had become thoroughly cooled. The employee then left the kettle unattended and on his return, less than 5 minutes later, to check the oil temperature, the room in the vicinity of the kettle was ablaze. Although nobody was present to see just what happened it is thought that the oil superheated at the bottom of the kettle, boiled up and around the cold oil in the center, and ran over the rim and down the outside of the kettle and ignited at the gas flame. The employee first tried to use a 4-pound carbon dioxide extinguisher but being excited and unfamiliar with its operation discarded it in favor of a 1½-inch standpipe hose. However, before he could get the kinks out, this too had to be abandoned as flames spread quickly to the adjacent elevator shaft and extended to the second and third stories. Flame spread was so rapid that an employee on the third floor was only able to descend to the second floor where he was obliged to hang by his fingers from a window ledge until rescued. Fortunately, the alarm was telephoned without much delay by an outsider and the employee was soon rescued from his precarious position. The building of origin was badly damaged but due to efficient operation of the fire department and the fact that the fire wall separating the warehouse from the burning structure was well constructed and all openings were protected, the fire was confined to the building of origin and was under control by 9 o'clock—not, however, before $250,000 damage had been done.

Again we see the influence of the interrelationship of fire protection weaknesses. The kettle, the unprotected openings, the lack of automatic protection, the untrained employee; on the positive side, we note our relativity theory also holds true —a properly constructed fire wall, standard fire doors in openings and all doors closed—these protected the warehouse.

Third Example

Here is one more example taken from the 1951 fire record to show how isolated fire protection weaknesses combine to cause serious fires. One of the largest industrial fires of the year occurred January 30 at Upper Sandusky, Ohio. This plant manufactured gears, hydraulic equipment and other metal parts. Let us suppose that a fire protection engineer had entered this plant on the morning of the fire to evaluate its fire safety. What are some of the conditions he would have noted? First, a 53,000 sq. ft. undivided first floor, communicating with the second story of the 1- and 2-story building through two open stairways and an open elevator shaft; second, the absence of automatic sprinklers; third, that first aid equipment was not in operating condition; fourth, that spray painting was conducted in a small not-cut-off addition (he would have been advised that a fire door had been purchased to cut-off this area but this would not alter his estimate of the fire potential of the plant as far as conditions on that par-

Every twenty seconds a fire breaks out in the United States. Of the 4,600 fires daily almost 1,000 are in homes, destroying about 340,000 every year. The rest attack factories, hospitals, schools and other buildings.

11,000 persons each year die in fires. Thousands more are burned and disfigured.

90% of all fires might be avoided if people would just be a little more careful. If every American used common sense and followed a few simple rules of safety almost all home fires could be prevented.

ticular morning were concerned); fifth, that metal grinding was conducted in the spray room; sixth, that an open pan of flammable paint thinner was adjacent to the grinding equipment; seventh, that a large quantity of oil used in heat-treating and tempering was present in open containers and drums throughout the plant; eighth, that floors and ceilings were covered with an oily deposit; and ninth, that the only hydrant within reasonable distance of the plant was connected to a 4-inch dead end main.

Once again, here was a combination of factors that made a perfect set-up for a total loss if ever a fire should start! On the NFPA fire report form the fire chief is asked to comment on the attitude of the property management toward fire safety. On his report of this fire, Chief Brinman gave the following answer to this question: "Attitude toward fire safety was very good, but that was as far as it went."

This fire also occurred while the plant was in operation and as in the two previous case histories, ignition of a flammable liquid gave it its start. On the morning of the fire, spray painting was being done in the small not-cut-off addition and in the same area workmen using portable grinders were removing rough spots from castings prior to painting. At 11:00 A.M. an open pan of paint thinner ignited in the paint room, apparently when hot pieces of metal from the grinding operation landed in the thniner. For the first minute or two fire was confined to the vicinity of the pan of thinner and could probably have been extinguished had an extinguisher been discharged on it promptly. This was not to be, however, for when an attempt was made to discharge a carbon dioxide extinguisher on the fire it was found to be empty. Before another extinguisher could be obtained from another part of the building flames were bursting from the spray room into the main plant. Fire spread with great rapidity over the oily interior surfaces, ignited containers of heat treating oils and by the time the town's pumper with one man arrived, flames involved the entire building. The one hose stream that could be supplied from the 4-inch dead end main was useless against the 43,000 sq. ft. of raging fire. Eventually fire departments from surrounding towns were able to lay eight long hose lines to the fire but by then the building was entirely destroyed.

Summary

The prediction was made that on the basis of the fire experience of the first quarter of 1951, this year gives promise of setting a record for bad industrial fires. Between now and December 31 we can expect that hundreds of United States and Canadian industrial plants will be incapacitated, some permanently, by fires such as the three just cited. These serious fires need not occur and many of them will not if those responsible for plant fire safety acquire a better appreciation of the interrelationship of fire hazardous conditions. Looking at the open pan of thinner in the spray room as an isolated fire protection weakness, one might be inclined to underestimate the possibility of extensive fire damage to the Upper Sandusky plant. When, however, this hazardous condition is considered in relation to the lack of sprinklers, the empty fire extinguisher, the unprotected doorway, the oily walls and the open stairways, etc., a more accurate evaluation of the vulnerability of the plant to extensive damage or destruction is possible.

The ability to recognize the interrelationship of individual fire hazards cannot be overemphasized. I urge industrial plant protection supervisors to teach the *theory of fire hazard relativity* to their inspectors and their employees; impress them with its importance, for only when all concerned with the plant safety are aware of the manner in which individual hazards combine to cause serious fires, will the plant fire protection program be adequate.

Revenue Agents Taken to Task For Rough Methods

Un-American tactics on the part of Internal Revenue agents are the target of a short but forceful editorial in the August 15 issue of *Tax Topics,* official organ of the National Association of Tax Accountants. Rights of American citizens are being cast aside in the search for information, the editorial alleges.

"In most cases the parties called upon to answer questions pertaining to transactions about another are practically frightened and intimidated into giving out information that is not legally obtained," it says.

You're Covered, It Says Here —But Are You?

All of us, at one time or another, have bought a new house or a new car and have called up our insurance agents to say that we'd like some insurance, please. The agent happily replied that "you're covered, as of now." And that was that. Joe agent eventually sent you a policy—and a bill. In the meantime you had been covered by a "binder," in your case an oral binder, which in law has all the force of a written instrument.

But there's a gimmick, one very well illustrated in two recent cases. One concerned a man in South Carolina who made an oral agreement with an agent to insure a new restaurant he had just opened for $25,000. The agent was authorized to write policies for ten companies, but before he wrote to any of them the contents of the restaurant were destroyed by fire.

Friend agent then wrote each of the ten companies asking each to assume one tenth of the risk. One of them refused to have any part of it. In a subsequent lawsuit the court held that there was no contract to insure the restaurant because the agent had not specified in the agreement with what company the insurance was to be placed. Another court in a more recent case came to the same conclusion.

So there's the gimmick. A binder isn't a binder unless the agent, if he is authorized to bind more than one company, specifically states in the agreement, oral or written, what company he is binding. And there must be an agreement between the agent and the insured as to how much the insurance is going to cost.

Come Fire or Flood - - -

What About Your Records?

THE credit executive is called on, time and again, to advise his customers on insurance protection. Still more often, he has to take it upon himself to insist that his customer protect himself. And it is always a real problem to answer with any degree of definition the two basic questions of insurance: is it the right kind, and is it enough?

The problem is made more acute for the credit executive in that he is not an insurance man and never has been and probably never will be. The business of advising on insurance protection is one of those inevitable and bedeviling offshoots of his job. Whether he likes it or not he just *has* to be pretty closely in touch with insurance developments.

One branch of insurance which is relatively unexplored is that of records destruction. And that's strange for if you lose your records you can't collect. No collect no pay. No pay no credit. No credit no business.

Accounts receivable policy

Merchandise and office equipment are insured against all hazards as a matter of course. Accounts receivable records sould be insured in the same manner. Records represent stock or merchandise no longer under your control but in which you have a real interest and *those records are not insured under your fire contents policy.* Accounts receivable dollars are big dollars. And don't forget that the cost of merchandise, merchandising expense and profit are all tied up in your accounts receivable file.

A comprehensive dishonesty, disappearance and destruction policy is not complete insurance protection for the businessman with accounts receivable records. Many times the amount of money represented by the accounts receivable will exceed the amount of money, securities and merchandise on the premises.

Castastrophes come without warning and no matter how fireproof your vaults and containers they are far from fireproof if they are wide open when the fire starts. Flash fires, flash floods are far from unknown.

Moreover, you are at the mercy of your more careless neighbor.

Under the records destruction policy you can insure yourself against the cost of replacing or reproducing business records that are lost, destroyed or damaged from any cause except the usual wear and tear, deterioration, vermin, acts of war and the usual "excepts." And it may be amended by endorsement to pay to the insured the money loss suffered through inability to collect money due, according to the accounts receivable records, because of loss or destruction of, or damage to, those records while within your premises.

To be certain that you have adequate protection against loss, you must know what your accounts receivable have been each month for the previous year. You then take the month in which accounts receivable are greatest. The amount of insurance in the policy may be either 110% or 125% of the amount of monthly accounts receivable.

For instance if your business is subject to peaks and valleys the 110% system will work best.

12 months' total	$120,000
Largest month	20,000
Amount of insurance.	22,000
(110% of $20,000)	

If your business is more constant the 125% system will be better.

12 months' total	$120,000
Largest month	11,000
Amount of insurance.	12,500
(125% of $10,000 average)	

Each case, of course has to be worked out according to its own individual circumstances.

In any case, records destruction insurance is worth investigation and particularly so from the point of view of your customer if he does a credit business.

Accounting and Control Records Reduce Costs

By E. P. SAFADY
Manager, Pacific Displays, Inc., Los Angeles, Calif.

BY COMBINING five essential accounting and other control records in one simplified system, we have cut out clerical overhead and achieved benefits for our management and, too, improved customer relations.

What we have done in centralizing the records has been to provide the means of maintaining *all* control data in a form that has made it possible to keep all our records and statistical information completely current.

Through the use of visible records, carefully designed forms and a system of signals we have taken a great deal of the posting and other processing out of the control operations.

The savings in clerical cost involved in the handling of accounts receivable ledgers, sales register ledger, service controls and credit records have been substantial, but they have been by no means the most important benefits. In providing our credit department with up-to-the-minute and accurate information, and by affording graphic records to guide the activities of our servicemen, the new system has been of immeasurable value to Pacific Displays' management.

The company manufactures, installs and services fruit, vegetable and other displays in numerous markets, chain and individual stores throughout the Los Angeles area. When our display service is sold to a market the management then signs a contract for 12 months' service. The charges are payable at so much per month—for installation, servicing, and periodic changing of the displays.

Accounting control problems

Formerly the total amount of the contract was picked up in a sales register and that amount was then broken down into a 12-month spread for the amount due each month. For accounting control purposes this monthly figure was picked up in Rental Earned account. At or near the close of the year the customer would again be contacted by the sales representative and very often there were substantial changes to be made in the arrangements before renewal of the services for another year, thus creating the problem of a different type of entry.

Then again, during the term of a contract the type of display is often changed sufficiently to affect the rate. Under these conditions (in the old system) this means that the sales register had to be adjusted to show the correct figures.

The accounts were billed each month for the amount due one month in advance. These invoices were prepared from a letter-size customer folder containing the contract and other papers, and record of the billing dates also maintained in a separate 5″ x 3″ card tickler file. Other records were equally involved, and while our staff of two clerks assigned to this work were able to handle it, executive and credit department reference and reporting was usually slow and unsatisfactory.

Record protection answers

Something over a year ago we called in Remington Rand management control specialists and their answer was to set up a system combining the records and "activating" certain of the contents by means of a system of visible margins, computing charts and signals. In addition, after pointing out the actual financial value of these records, they convinced us they should be set up in a Safe-Desk unit providing a minimum of an hour's protection in the event of a serious fire. The cost of the equipment, ledger cards, trays, margin inserts and charts, for signals sufficient to set up and maintain the 5-in-1 record procedure for a number of years came to around 70¢ per account.

The basic change of procedure was then to pick up into the control figures of the books only the amount due for one month in advance, which means that we now carry on the books only the amount of money actually due. This has been simplified by the use of Kolect-a-Matic equipment and the Simplified Unit Invoice Accounting Plan.

The controls are graphic

By means of the Simplified Unit Invoice Accounting Plan copies of invoices form the accounts receivable ledger, and so they eliminate all postings and provide full information on all charges instead of skeletonized transcripts of them. This provides management with complete proofs of posting and control figures.

From the credit and collection standpoint it means fast and accurate credit authorization and automatic, fully-current collection follow-up.

The plan is made practical by the Kolect-a-Matic equipment—a combination of cards, visible margin computing charts, signals, pockets to house each group of cards and relating invoices and other data, and trays holding the cards and pockets in working position. Each pocket is a "home" for the billing, collection and other control data on an account. And each visible index margin, chart and set of signals is a billing, sales and service *graph* for the accounts.

An unexpected "plus"

One of the unexpected by-products of the new system was the ability to signal visually the billing date and to streamline the entire invoicing process. On the visible index portion of the card there is a simple computing chart consisting of a 1-to-31 scale on the left side under the nume of the customer, and a January-to-December scale on the right side.

A Graph-a-Matic signal (a plastic arm) moves over the January-to-December scale to indicate the next month of an unpaid invoice. A signal tab over one of the dates on the 1-to-31 scale shows when the invoice should be typed and mailed. As in the cycle billing procedures used by many of the major depart-

ment stores, this procedure means the billing is staggered throughout the month.

Signal tabs of different colors are used to indicate credit ratings, follow-up service cost, and approach of contract renewal action, etc. This means that much of the information necessary to guide management in matters of credit, service, and sales effort is provided in easy-to-review, graphic form, so that only in the exceptional case is review of the detailed record necessary—all of which means that by combining five control records in one we have: a) effected savings in clerical costs; b) increased operating efficiency; c) provided better management control; and d) achieved full point-of-use protection for our valuable records.

Piske Gets Award

New Orleans: Joseph Lallande, executive director of the Louisiana Civil Service League, was the featured speaker at a recent luncheon meeting of the New Orleans Association.

An outstanding feature of the luncheon was the presentation to past president Richard A. Piske, Jaubert Brothers, Inc., of past president Sutherland's award to the outstanding member of the New Orleans herd of Zebras.

Recent years have seen expansion in many relatively new uses of life insurance protection. Business life insurance, for example, has reached significant proportions. Insuring propietorships, partnerships and close corporations for their ownership interests has become a common practice, and the use of key man insurance for important personalities in a business organization has been greatly extended. Many billions of business life insurance are outstanding today.

The growth in recent years of business life insurance and insurance written for special purposes other than direct family protection is shown in the fact that almost one-tenth of the ordinary insurance death claims (in 1950) were payable to estates, institutions and other than immediate relatives.

—from the 1951 LIFE INSURANCE FACT BOOK
published by the Institute of Life Insurance

Business Books

Books reviewed or mentioned in these columns are not available from CREDIT and Financial Management unless so indicated. Please order from your book store or direct from publisher.

The Technique of Executive Leadership. By James F. Bender. Published by McGraw-Hill Book Co. Inc. Price $3.50.

Dr. Bender is Director of the National Institute for Human Relations, an organization he founded in 1943. He also teaches a Columbia University class on how to develop executive ability. The ingredients which go into the making of a first magnitude executive are discussed in detail in this new book. Dr. Bender gives ten points necessary to make the grade as an executive: (1) analyze yourself (2) streamline your thinking (3) be pleasant to work with (4) grow as a speaker (5) improve reading habits (6) master the interview (7) conduct excellent conferences (8) be a good psychologist (9) get the most out of your physique (10) stay tuned to modern leadership. Not as impossible as you think, according to Dr. Bender.

Dr. Bender has written several articles for Credit and Financial Management.

A Dictionary of Economics. By Harold S. Sloan and Arnold J. Zurcher. Published by Barnes & Noble, Inc. New York 268 pp. Price $3.00.

Quick answers to most of your questions about economic double talk and simple economic history. You'll find thumbnail descriptions of the Dawes Plan and capsule explanations of how to sell stocks short. The dictionary tells what an interest bond is, and explains fair employment legislation and business cycle theory. Most of the major pieces of economic legislation in this country —from NRA to ECA—are briefly explained.

Marketing and Distribution Research. By Lyndon O. Brown, Ph.D. Published by the Ronald Press Co. Price: $5.00.

This revision of Market Research and Analysis is thoroughly up-to-date, with new methods and new knowledge of research procedure carefully delineated. The book aims to show how the application of marketing and distribution research methods can improve the efficiency of marketing operations, thus reducing the cost of distribution.

You CAN Change Your Career. By Martin Panzer. Published by McGraw-Hill Book Co., New York, N. Y. 274 pp. Price $2.95.

If you're not happy in your job or feel in a rut, it's not too late to change to another type of work according to Author Panzer. Jobs are more plentiful than they have been for some time and now is an excellent time to make the switch.

Sales Executive's Handbook. Edited by Harry Simmons. Published by Prentice Hall, Inc. New York 11, N. Y. 790 pp. Price, $10.00.

You can match some of your ideas and thoughts on selling with those of 20 of the country's top sales executives. The range of subject matter is wide, from a discussion of established policy and effective statistical control to suggestions for advertising and better public relations. A good guide to bigger sales and profits.

In the MODERN office

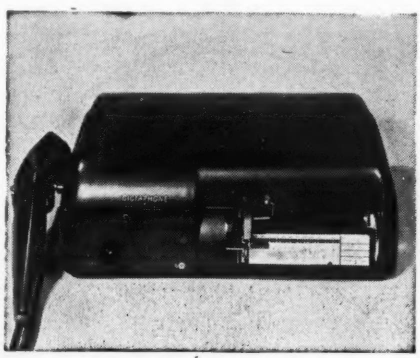
Automatic Typist

The Auto-Typist Model 5030 Selector is especially suited for credit collection work where a repetitive series of letters is used. These letters are placed on a record roll, pre-selected and then automatically typed at a speed two or three times faster than a manual typist can do, stopping wherever desired for manual insertion of amounts, dates, descriptions of articles and other pertinent data. The Auto-Typist permits the typist to write a variety of letters by merely pushing buttons. The machine's record roll carries from five to twenty letters, depending upon length; each letter is preselected by pushing that button corresponding to the desired letter. The machine then takes over automatically, no further attention being re-

quired except for the necessary fill-ins. For further data write American Automatic Typewriter Company, 614 N. Carpenter Street, Chicago 22, Ill.

Time-Master and Memobelt

For dictation, telephone recording, conference recording — the Time-Master is an all-purpose dictating machine for busy people in business. Functional in design, compact, easy to use, with clear recording and reproduction, it is versatile in its uses. Only 4½" high and letterhead size, it is designed primarily for office use, but is also portable. Universal Time-Master can be used on AC or DC without extra accessories. "Memobelts" for recording, fit standard business envelopes and mail chutes, and five can be mailed into your office for 3¢—a dozen carried in a coat pocket. Cost so little they are used only once. They are easily filed in a 4"x6" card file for permanent record. Positive correction system for indicating corrections, length of letters, 25 slips loaded at one time. With a Time-Master desk microphone all or part of conferences can be recorded without taking notes. Flip a switch and a telephone conversation can be



recorded. Dictaphone Corporation, 420 Lexington Avenue, New York, will send you a folder on this equipment for the asking.

Speed Posting Operations

The new "Norfield" posting tray is designed to aid all users of mechanized bookkeeping systems by making it easier and faster for operators to locate, remove, and replace ledger cards. Finger pressure opens locked tray to provide perfect posting "V" with front and back at correct sloping positions. Five especially designed spacers at 1½" intervals prevent cards from creeping, slipping and crowding. Perfect alignment is maintained by two, easily adjustable side rails to accommodate cards of differing widths. Front and back handles simplify moving the tray for storage or to another location. Overall length of 15" and accommodates 1,000 32# cards. Heavy gauge aluminum, dove gray crackle baked enamel finish with chrome plated handles and fittings. Available in

three sizes of card widths. Write Intasco Corporation, 3021 W. Carroll Avenue, Chicago 12, Illinois, for prices and other information.

Management by Exception

The simplicity of Kardex Visible Files brings a method whereby management men can conserve time and talent previously used for routine operations. A visual chart of business position can be kept at his fingertips. Signals note release dates for purchase of additional stocks, so pre-planned purchases may coordinate into the finished item. Full visibility of the signals prevents oversights and costly delays and facts are available with maximum accuracy and minimum effort.

Vital points stand out for quick action and can be kept up to date easily by a secretary. Write Remington Rand, 315 Fourth Ave., New York 10, for booklet KD 613-Management Controls Division for more data.

When writing to these manufacturers, tell them you saw it in Credit and Financial Management

ASSOCIATION NEWS

John Suydam Head Of Canadian Credit Men Dies in West

TORONTO: Members of the Canadian Credit Men's Trust Association were shocked to learn of the sudden death on Sunday, September 2nd, of John H. Suydam, General Manager of the Association. Mr. and Mrs. Suydam had left Toronto on August 25th for Vancouver, B. C., to attend the annual meetings of the Canadian association and the Canadian Credit Institute. They had arrived in Vancouver on September 1st and on Sunday, September 2nd, Mr. Suydam suffered a heart attack and passed away. A memorial service for the late credit executive was held in Toronto on September 6th in the church he attended.

Mr. A. S. Crighton flew out to Vancouver to assume Mr. Suydam's place at the various meetings of the association. Although Mr. Crighton had been in retirement for the past two years he answered the call of President H. K. Hall of the Canadian Credit Men's Association to take over at Vancouver.

Mr. Suydam came to Canada in 1915 to join the Canadian Army in World War I. He served overseas with the Third Battalion. After the war Mr. Suydam returned to Toronto as Credit Manager for the Dominion Rubber System. He left that position in 1922 to join the Canadian Credit Men's Trust Association where he served as Manager of the Service and Collections Department. In 1929 he was appointed Manager of the Toronto Credits, Ltd., and the Retail Credit Bureau of Toronto. In 1947 he became Assistant General Manager and then Manager of the Ontario Division of the Canadian Credit Men's Trust Association. Upon the retirement of Mr. Crighton in 1949 he was elected General Manager of the Canadian association.

Mr. Suydam had attended several of the National conventions of the Credit Men's Association in the United States and was well known to a number of the present and past officers and Directors of that organization.

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PHILADELPHIA: Past President Helen M. Zook gave a report at the September meeting of the Philadelphia Credit Women's Club on the activities at the National Convention.

Dallas Host to Petroleum Credit Men's Conference

THE AMERICAN Petroleum Credit Association will hold its 27th Annual Conference in Dallas at the Hotel Adolphus, October 15-17, 1951. Several hundred leading petroleum credit executives of the United States and Canada are expected to attend the Conference. It is large enough for practical development and evaluation of ideas, practices and trends, yet small enough to permit full participation by all those in attendance.

Considerable time will be devoted to forum and panel discussions on a wide variety of subjects pertaining particularly to credit subjects in the petroleum industry. Those atending will have an opportunity to take part in these discussions with other credit executives who are familiar with and have similar problems.

Among the many subjects which will be presented in panel fashion are: "Credit Cards", "Credit Checks", "T.B.A. Budget Selling", "Credit Personnel", "Customer Relations", "Surveys and Statistics", "Farm Credits", "Contractors", "Motor Carriers", "Jobbers", "Fuel Oil", etc.

Highlighting the Conference will be addresses by two key executives in the banking field who will have interesting messages to present to the credit executives attending this meeting.

If you are a credit executive in the petroleum industry and would like further information regarding this Conference, write S. J. Haider, Secretary, American Petroleum Credit Association, P. O. Box 1398, St. Louis 1, Missouri.

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DALLAS: J. Hart Willis, a Dallas attorney, was the speaker at the September 11th luncheon of the Dalcredo Club. Mr. Willis who has been active in political and civic matters in Dallas for several years is an enthusiastic promoter of the idea that the people of this nation should return to a more sound political program.

Merit Awards to Graduate School Students at Dartmouth Announced

Mill of Rochester is Given Alumni Plaque for Seniors

KEANE IS HONORED

The recipient of the Alumni Merit Award, at the Fifth annual session of the Graduate School of Credit and Financial Management at Dartmouth College in August was William Malcolm Mill, President and General Manager, Thomas Smith Co., Worchester, Massachusetts. He has been in this position since 1938. For thirteen years prior to that date he was General Manager, Assistant Treasurer, and from 1920 to 1925 was Assistant Treasurer; is a Past President of the Worcester County Association of Credit Men, an active participant in Worcester Chamber of Commerce, Small Business Association, Massachusetts, Worcester Community Chest, and the Massachusetts Metal Trades and Employers Association.

Mr. Mill has served during the past year as President of his class in the Graduate school. His business study report required for graduation was on the subject "Aids in Establishing a Small Business."

The Alumni Merit Award is given to that member of the senior class each year who in the combined judgment of the faculty and the class has contributed most to the class and to the Graduate School in terms of leadership.

F. James Keane, Assistant Secretary-Treasurer of the Producto Machine Co. of Bridgeport, Connecticut received the Paul G. Hoffman award at the graduation exercises of the school held at Dartmouth College on August 18, 1951. Mr. Keane has been with his company for more than six years. Prior to that he was Assistant-Treasurer of the A. C. Gilbert Co. of New Haven and Controller, Assistant Secretary, of the Casco Products Corporation of Bridgeport. Mr. Keane is a graduate of the American Institute of Banking, Bridgeport Chapter, the Vannais Accounting Institute of Hartford, and the LaSalle Extension University of Chicago.

Flood Damaged Firms Polled In Kansas City

Kansas City: The staff men of the Kansas City Association have been calling on members who were in the flood area and on those who were known to have suffered loss even though not directly in the flood. The results of their efforts have been compiled into a special bulletin which was mailed out to the entire membership

Typical quotations from the report give a graphic picture of the amount of damage done. For instance:

"Very heavy loss. Office building just about completely ruined. If they can move back into this building it will probably take six months or more to rehabilitate."

"Most of the records saved; however, many records have to be washed and ironed."

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Food Credit Group Polls Members on Flood Damage Policy

New York: The National Food Manufacturers Credit Division has just completed a survey of its members concerning company policy in replacing flood-damaged merchandise following the recent disastrous floods in the Kansas-Missouri area.

Of those who sold to retailers 13 stated that company policy was to replace merchandise without charge. 23 said it was not company policy to do so.

Of those who sold to wholesalers 17 answered yes and 22 no to the same question, while 11 were not yet decided, six were not involved and four companies had no policy.

Those whose companies intend to replace damaged merchandise had various bases on which they formed their decisions. Typical comments were:

"When box tops are furnished as evidence."

"We replace labels and cartons only."

"Decide each case on its own merit."

"Pay 50% value of damaged warehouse stocks of direct customers."

"Would extend payment date on open bill depending on financial status of customer." (2)

"Qualifying merchandise subject to recondition without charge."

"Evidence of loss must be produced and damaged stock immediately destroyed and 60% of its value is allowed in form of purchase credit."

"Full credit on merchandise shipped to our Missouri plant—includes our product turned over to wholesalers by retail trade." (2)

COMING EVENTS

Petroleum Credit Conference
Dallas, October 14-16

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Wisconsin Conference
Appleton, October 16

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Tri-State Conference
Lincoln, Neb., October 17-18

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Tri-State Conference
Wichita, October 18-20

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Tri-State Conference
Syracuse, N. Y., October 18-20

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Ohio Valley Conference
Cleveland, October 18-20

•

Southeast Conference
Atlanta, October 18-20

•

Credit Women's Conference
Cleveland, October 20-21

•

Illinois Conference
Chicago, October 24

•

New England Conference
Providence, R. I., November 28

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National Credit Congress
Houston, May 11-15, 1952

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North Central Conference
Fargo, N. D., March 21-22, 1952

"Screwy" Penna. Bill Is Killed In Committee

WELL, that crazy collection agency bill in Pennsylvania is reliably reported as dead. The news of its demise is contained in the August 30 issue of the *Creditier,* official organ of the Credit Association of Western Pennsylvania.

The bill, known as House Bill No. 1623, was introduced by one Rep. Reese, political affiliation not stated. The bill would have made it unlawful for any outfit engaging in the dissemination of credit information to conduct a collection department. But that isn't all. It would have been unlawful to make out a credit experience report *without giving an exact copy to the subject of the report.*

The bill hit the headlines August 1 and various letters hit the National office very soon afterwards. The most quietly expressive of them was from Stanley Thomas, in Philadelphia, whose letter started: "I thought you would be interested in a screwy bill. . . ."

Well, it seems to have died in committee. But a valid question might be "why was it born?".

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Southeast Credit Conference Set For October 18

Atlanta: "The Challenge of Credit in a World of Change" is the theme of the Southeast conference which will convene at the Biltmore Hotel, Atlanta, October 18. The conference lasts through October 20.

A well-rounded program is planned and will include outstanding speakers, industry group meetings and credit women's affairs. Also those wishing can watch the Georgia Tech-Auburn football game.

Elected to Head Group

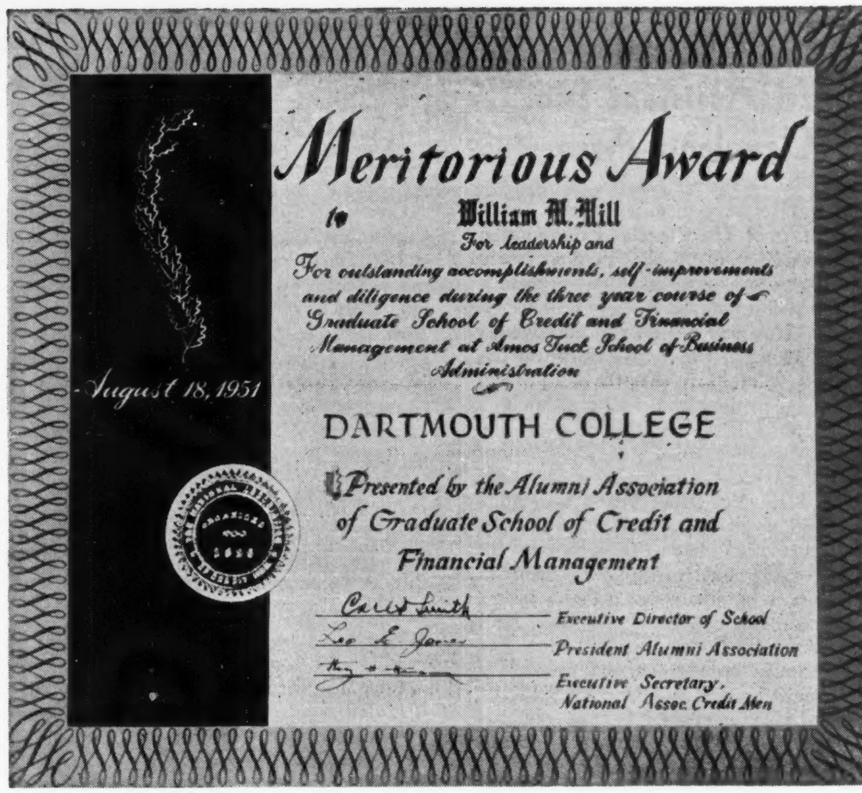
Hartford: The newly formed Electrical Wholesalers group of Connecticut recently elected officers to serve for the first year of the group's existence. They are Dana H. Foster, Electrical Supplies, Inc., Hartford, chairman; and Ben Singer, Eacon Light & Supply Co., also Hartford, vice-chairman.

Interchange Board Of Governors To Meet November 9

THE BOARD OF Governors of National Credit Interchange will meet at The Stevens Hotel, Chicago, November 9 and 10. Full attendance of the nine members on the Board is expected.

This meeting will precede the Meeting of the Board of Directors of the National Association of Credit Men, which will also be held at The Stevens Hotel, November 11-14. The arrangement of these meetings enables the Credit Interchange Board to report fully to the National Board of Directors decisions reached as a result of their discussions and deliberations.

The agenda for the Credit Interchange Board of Governors Meeting calls for full sessions on November 9 and 10, with many subjects of major importance to come up for discussion on National Credit Interchange Service.



Meritorious Award

to William M. Mill

For leadership and

For outstanding accomplishments, self-improvements and diligence during the three year course of Graduate School of Credit and Financial Management at Amos Tuck School of Business Administration

August 18, 1951

DARTMOUTH COLLEGE

Presented by the Alumni Association of Graduate School of Credit and Financial Management

Executive Director of School

President Alumni Association

Executive Secretary, National Assoc. Credit Men

Louisville's Annual Summer Frolic Is Pronounced Success

Louisville: About 450 members and friends attended the Louisville Association's annual frolic at French Lick Springs, Indiana, August 11 and 12. Among the 450 were 85 Cincinnati members and several honored guests, including National President L. D. Duncan, National Distillers Products Corp., New York; National Vice-President V. C. Eggerding, Gaylord Container Corp., St. Louis; and National Directors E. W. Hillman, Federal Glass Co., Columbus, Irwin Stumborg, Baldwin Piano Company, Cincinnati, and Herman S. Kessler, Standard Printing Co., Louisville.

New York Adjustment Bureau Elects Board

New York: Directors to serve for one year terms were elected at the annual meeting of the New York Credit Men's Adjustment Bureau, Inc., on Friday, August 31. Thirty-four executives were elected.

The new directors will meet later to select officers. A. J. Smith, J. P. Stevens & Co., Inc., is currently president.

New Commercial Code Is Aired at Chicago

Chicago: Ben W. Heineman discussed the proposed new Uniform Commercial Code during the September 5 meeting of the Chicago Association of Credit Men. Mr. Heineman is chairman of the Chicago Bar Association Committee on the Uniform Commercial Code.

New Orleans: G. Earl Brister, American Sugar Refining Co., national director for the eighth district, was the speaker at the August 22 meeting of the New Orleans Credit Men's Association.

President Advocates Flood Insurance for Mo.-Kansas Victims

IN his message to Congress asking for $400 million additional funds to relieve the flood sufferers in Kansas and Missouri President Truman proposed a flood insurance program to be backed by a Federal Reinsurance Agency. This proposed program would be similar to the operations of the war damage coverage provided during World War II. The insurance would be written by private fire and multiple line companies and then reinsured by a Federal agency to be created by Congress.

Henry Heimann Heard At Dayton Meeting

Dayton, Ohio: The opening meeting of the 1951-1952 season of the Dayton Association of Credit Men was held September 11 at the Biltmore Hotel. Henry H. Heimann, NACM executive manager, was the guest speaker. Mr. Heimann also met with the Dayton Association's board of directors.

Wichita Plans Taking Shape For Conference

Wichita: The Tri-State Conference opens here October 17. A fine program has been arranged by the Wichita Association which is playing host to the conference this year.

The program, as tentatively arranged, calls for registration on the evening of October 17 and a get-together session. On Thursday morning two addresses are scheduled, followed by a luncheon with a prominent humorist as the speaker. In the afternoon there will be a speech given 'from the sales angle" and a "skit or playlet" by the Kansas City Association. The day will close with a dinner and Gay Nineties revue presented by the Kiwanis Club of Wichita.

All day Friday, October 19, will be given over to industry group meetings and a dinner meeting with a speaker from the National office.

The conference proper will come to a close with the Friday evening meeting, but Saturday, October 20, has been set aside for a "play-day" for those who for one reason or another want to stay over. Plans have been made for a golf tournament and for visits through the airplane plants for which Wichita is famous.

Dinner Dance at St. Louis

St. Louis: The September meeting of the St. Louis Association took the form of a dinner dance with a brief business meeting after dinner.

Lillian H. Murphy is Named Assistant Sec. By Cleveland Assn.

Cleveland: At a meeting of the Board of Directors of The Cleveland Association of Credit Men, July 31, 1951 a newly created position of Assistant Secretary was filled by naming Miss Lillian H. Murphy. This new position was suggested on July 26 when the members of this 52 year old Cleveland Association Board changed the By-Laws making such a position possible.

Miss Murphy came to the Association some 25 years ago, and during those years ago, and during those years has gone from one position to another until she possesses a very thorough knowledge of the intricate requirements of a business organization having some 8000 members in 42 cities in Northeastern Ohio and Northwestern Pennsylvania. She has most recently been chief accountant for the Association and is also Secretary for the Credit Women's Club. She has assisted the Executive Secretary, Kenneth S. Thomson, who has been Receiver and Trustee in several hundred cases, and has become a specialist and an expert in matters of taxation and insurance. This appointment by the Board was unanimous and met with favorable response from the entire membership.

Mrs. George H. Nippert

Chicago: Mrs. George H. Nippert passed away on Monday, August 6, at her old home in Richmond, Kentucky. Mr. and Mrs. Nippert had stopped there on their way to Florida where they had expected to live. Mr. Nippert just recently retired from his position as district credit and office manager of the Procter and Gamble Distributing Company after 45 years with the firm.

Mrs. Nippert was widely known in credit circles and was a well-known figure at both Chicago Association affairs and National conventions.

News of the CREDIT WOMEN

Cincinnati: The Women's Group of the Cincinnati Association of Credit Men installed the following officers for the coming year: President, Mrs. Loretta Johnston, The F. D. Lawrence Electric Co.; Vice President, Miss Gertrude Stelzle, Crane Co.; Recording Secretary, Miss Norma Cotton, Western Tray & Case Co.; Corresponding Secretary, Miss Lillie Brownbeck; Treasurer, Miss Mina Becker, Grace A. Rush, Inc.

Chicago: The Credit Women's Club of Chicago held its September meeting Tuesday, September 11th at the Chicago Bar Association, 29 S. La Salle Street, 6:15 P. M.

This was our first meeting of the Fall season. The program included a talk by Mr. James P. McGrogan, Credit Manager of the Czerwiec Lumber Company, Inc., entitled "Credit in the Building Industry."

St. Louis: The St. Louis credit women held their "Association Night" meeting September 27. Joseph G. Otte, Peter Hauptmann Tobacco Co., president of the St. Louis Association of Credit Men, and Jack Scholfield, Association secretary, were the speakers. National vice-president Victor C. Eggerding, Gaylord Container Corp., was also present.

The group has organized a bowling league of four teams.

Des Moines: The Credit Women's Group of Des Moines opened their season with a dinner meeting at the Kirkwood Hotel September 10. W. G. Kane, vice-president, Central National Bank & Trust Co., and Don E. Neiman spoke. Mr. Kane is the new president of the NACM Central Iowa Unit. Mr. Neiman, of course, is the Association's secretary-manager.

Louisville: The credit women ended their final business of the year with a dinner meeting at the Seelbach Hotel. Antoinette Schweitzer, president, gave a complete report of the Boston Convention.

The summer picnic was held at Tafel's Camp on the banks of the Ohio. An exceptionally large crowd attended.

Oakland: The Credit Women's Group of Oakland met July 16 at the home of one of the members. Since many of the members were on vacation little business was conducted.

Amarillo: The Amarillo Wholesale Credit Women's Group met for a patio dinner July 2 at the home of one of the members. After dinner the members and their guests were entertained with a preview of fall fashions.

Cleveland Women to Be Hosts at Annual Mid-West Conference

Ten years ago the Cleveland Credit Women's Club inaugurated the first Mid-West Wholesale Credit Women's Conference in Cleveland and on October 20-21 of this year will be hostesses again to a greatly increased membership. Twelve states are represented in this group and delegates from manufacturers, jobbers and banks will be attending.

The Cleveland Credit Women have been instrumental in introducing many new ideas and procedures during the seventeen years since their club was organized and this conference is no exception. The Cleveland Credit Women's Club is affiliated with the Cleveland Association of Credit Men who are hosts in October to the Ohio Valley Regional Conference. Mid-West delegates are being offered an opportunity to attend the Regional Conference on Friday and Saturday morning. October 19-20 and then to procede iwth the Mid-West activities which will continue until Sunday afternoon.

Outstanding speakers and interesting business sessions "headline" programs of both the Ohio Valley Regional and the Mid-West Credit Women's Conferences.

Mrs. Agnes Dease of Graybar Electric Company is the Mid-West Conference Chairman.

Fort Worth, Dallas Try Out Joint Group Meeting Experiment

Fort Worth: The industry supply groups of Fort Worth and Dallas held a joint meeting at the Blackstone Hotel on Thursday, August 16. This was the second such meeting, the first having taken place in Dallas a month previously.

These two joint meetings have been found so rewarding that a plan for regularly scheduled meetings is under investigation.

Dallas: William J. Speck, district manager of the Office of Price Stabilization, spoke on price stabilization before the Tuesday, August 28, meeting of the Dallas Wholesale Credit Managers' Association.

He outlined the problems of inflation and discussed the current measures instituted to attempt to curb rising costs. He also covered the important changes incorporated in the new law as opposed to that in effect in World War II.

Final Golf Match at Rochester

Rochester: The Rochester Association held its final golf match of the season on Wednesday, September 12, at the Midvale Country Club, Penfield, N. Y.

WE SALUTE---

Miss Virginia Hyler, President
Appalachian Assn. of Credit Men, Bristol, Tenn.

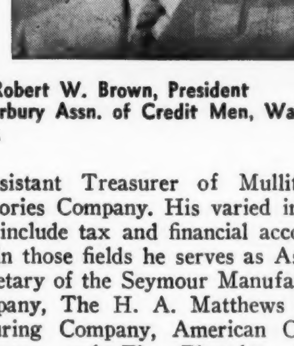
Joining the Service Appliance Company, Inc. in 1943, Miss Hyler was appointed Office and Credit Manager in 1945, and since then has been in charge of all accounting and responsible for all credit work. She has been active in the Credit Association since 1947, serving as Chairman of the Entertainment Committee in 1950, Chairman of the Program Committee in 1950, and elected President in April, 1951.

Mr. John W. Livingston, President
Credit Men's Assn. of Western New York, Buffalo

Becoming affiliated with the Marine Trust Company of Western New York in 1931, Mr. Livingston has worked in the Proof, Auditing, Discount and Credit Departments, and in January, 1948, was elected Assistant Treasurer in the Loan Department. He still has the Credit and Discount Department under his supervision. Graduate of Amherst College. Charter Member of Buffalo Junior Chamber of Commerce; Director of Western N.Y. Adjustment Corporation, and Credit Interchange Bureau, Inc. On Board of Managers Buffalo Chapter, Sons of American Revolution; member Buffalo Council on World Affairs. A member of the Credit Association for several years, and last year held office as First Vice President.

Mr. Joseph G. Otte, President
St. Louis Assn. of Credit Men

When Joe Otte entered the employment of the Peter Hauptmann Tobacco Company directly from school, his ambition was to be head of the Credit and Collection Department. His career started in the Bookkeeping Department, and then he moved up to Assistant Credit Manager. In 1934 he attained his ambition by obtaining the appointment of Credit Manager. For 20 years or more he has been active in Credit Association work, serving on various Committees, Board of Directors, as Vice President and last Spring was elected to the Presidency. He is at present Secretary-Treasurer of the SS. Peter and Paul Parish Credit Union, where his knowledge of credit serves him well.

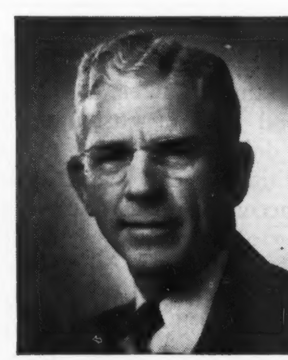


Mr. Robert W. Brown, President
Waterbury Assn. of Credit Men, Waterbury, Conn.

Assistant Treasurer of Mullite Refractories Company. His varied interests also include tax and financial accounting and in those fields he serves as Assistant Secretary of the Seymour Manufacturing Company, The H. A. Matthews Manufacturing Company, American Crucible Company and The Phosphor Bronze Corporation. He is also a Director of several of the above concerns. Mr. Brown has served the Waterbury Association as Secretary, Vice-President and Director and he is also very active in the Tax Executives Institute, Inc.

Mr. Leland S. Austin, President
San Antonio Wholesale Credit Men's Assn.

Assistant Cashier and Director of Credit and Economic Research, National Bank of Commerce. Joined staff in 1935, and with exception of 4 years in the Army, has worked here continuously, moving up from clerk to Manager of Credit Department. Served overseas in Pacific Theatre, returning in 1946 with rank of Captain. Member of American Legion, Veterans of Foreign Wars, Reserve Officers Club, and is former President of San Antonio Chapter, American Institute of Banking.



Mr. K. L. Fruen, President
Minneapolis Assn. of Credit Men

Elected President last Spring, having previously served as Vice President and Director, bringing diversified experience and background to this experience. His commercial career started with Washburn Crosby in 1925 as a clerk. In 1928 he was transferred to the Auditing Department, traveling as a field auditor until 1931, when transferred to Chicago office as Credit Manager. In 1937 moved to Kansas City as Office Manager, and in 1944 transferred to the Farm Service Division of General Mills, Inc. at Minneapolis. In 1946 was appointed to present position of Mechanical Division Credit Manager, and is rated as an outstanding sales-minded credit executive.

One Fire - - - One Bomb

(*Continued from page 8*)

times of emergency, equipment and supplies may not be available as rapidly as necessary to solve the individual problem. Thought must also be given to the necessity, in the event of disaster, of reproducing copies in size practical for use and for passing from hand to hand. This involves availability of reproduction equipment and supplies of photo sensitive paper. This availability of reproduction equipment or service is a matter that should be investigated prior to decision.

The above discussion covers the broad principles being followed by leading corporations in this country with well-integrated plans. There are a few more general observations which could be made. In a bombing war, the principal damage is not made by blast but by water damage in putting out fire. Next comes the damage created by fire itself, which is almost matched by the damage due to salvage operations.

From this it follows that vaults at the main plant are not necessarily safe depositories for vital records. There are documented cases of several firms in Britain which placed their records in fireproof vaults. The vaults survived the blast and the subsequent fire. The records, however, were irretrievably damaged because tons of water had flooded the vaults through vents or cracks caused by blast.

After the day's work is done, good office discipline will require that current records be stored away, if possible, in fire resistant cabinets, safes or vaults. It may pay dividends by increasing protection against disaster after working hours. The preservation and protection of records is a science and not a hit or miss affair. It should be approached from that standpoint.

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Efficiency Tips

Seeds of Victory

Manufacturers unable to take the usual good care of customers because of defense work can prevent unfair criticism—and even the loss of good accounts—by sending out a promotion piece showing how their products are used in defense both home and abroad. In that connection write E. V. Miller of Caterpillar Tractor Company, Peoria, Illinois, for their new booklet "Seeds of Victory." They are in defense work and the brochure gives many good pointers.

Your Legal and Business Matters

Shysters and schemers still grow rich from the many frauds perpetrated each year. Here's a lawyer's advice on contracts and instalment buying—also counsel on other subjects—changing your name, libel, slander, postdated checks, wills, taxes, personal injury and property damage. Wilcox & Follett Co., Chicago 5, Ill. 179 pp. Price $1.00.

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Know Where You Stand

(*Continued from page 11*)

been obtained and the buyer is found to be judgment-proof.

I advise and recommend that the return of the merchandise be accepted and that appropriate notice be given of either an intention to sell or of the intention to rescind, and to hold the buyer for damages.

Application of the rules

Having discussed the general rules laid down by the Sales Act, let us now look at the application of some of these rules in actual cases which have been passed upon by the Supreme Courts of several of the States.

In the case of *Coleman vs. New York, New Haven & Hartford Railroad,* 215 Mass. 45, Coleman, buyer, sued the railroad for conversion of the goods. The railroad at the request of the seller, in exercise of its rights of stoppage in transitu, had redelivered the merchandise to the seller. The following is a chronological listing of events:

July 12, shipment reached Boston from Pennsylvania and buyer notified.

Sept. 20, buyer paid freight and storage charges to date.

In October, seller drew draft on buyer on a Boston bank which was returned with notation, "Buyer out of city".

On several earlier occasions the seller had made demands for payment which had not been honored.

Late in November the seller requested the initial carrier to return the merchandise.

November 29, the defendant returned the goods to initial carrier which delivered them to consignor.

February or early March, plaintiff demanded goods of defendant.

The Court held that the right of an unpaid vendor to enforce his lien by repossessing himself of goods whereof the purchaser has acquired the title, but not the possession, can be exercised only when the buyer is insolvent. By an insolvency in this connection is meant not an adjudication by a court of competent jurisdiction, but merely inability to pay debts in the usual course of business. Such inability need not be absolute. It may be proved as a rational inference from convincing facts and circumstances. A business man in good standing commonly meets his obligations at maturity. Failure to pay a single debt might occur under such conditions as to constitute persuasive evidence of general inability to pay one's debts. The question of whether or not the buyer was insolvent should be submitted to the jury for determination.

In *Brewer Lumber Co. vs. Boston & Albany Railroad,* 179 Mass., 228, the plaintiff sold lumber to one Paul in Boston, and forwarded it over the defendant's railroad from Michigan. The following is a chronological summary of the facts:

January 31, lumber shipped;

February 19, lumber arrived in Boston and buyer notified that if not unloaded within 96 hours the freight would be subject to storage charges.

March 4, the railroad put the lumber in a shed and notified the buyer;

April 9, the buyer made an assignment for the benefit of creditors.

April 16, the plaintiff gave notice to the railroad not to deliver the lumber to the buyer, and asked that it be returned, claiming right of stoppage in transitu.

The transit had not ended when the plaintiff asserted the right of stoppage in transitu. It makes no difference whether the goods are in the hands of the carrier as carrier or whether he puts them at the journey's end in a warehouse. In other words the transit does not end until the goods arrive in the possession, actual or constructive, of the purchaser. So long as the carrier or warehouseman acting for him is in possession of the goods, he has a lien for the freight or other charges. The purchaser is not in possession, or entitled to possession, until he discharges the lien of the carrier for freight and storage, and the right of stoppage in transitu, therefore, remains.

In the case of *Gieb v. Goebel Brewing Co.,* 176 South West, a manufacturer delivered beer to a carrier consigned to an insolvent distributing company in reliance upon the promise of the principal stockholder of the corporation to guarantee payment.

The principal stockholder, while the merchandise was in transit, refused to execute the guarantee. The Court held that under those circumstances the seller could reroute the beer to another customer by way of exercise of its right to stoppage in transitu.

The case of the cars

The case which I think is best illustrative of the seller's lien and right to resell is *Jones v. Lemay—Lieb Corporation,* 301 Mass., 133.

The plaintiff on a Saturday purchased from the defendant dealer a De Soto car for $695.00. Payment was made by the delivery of the plaintiff's used Chrysler automobile valued at $245.00, and a check for the balance of $450.00. On the following Monday morning the plaintiff returned the De Soto to the defendant, stating that the car was not as represented. He told the defendant that he had stopped payment on the check and demanded the return of the Chrysler which the defendant refused. On December 3, the plaintiff replevined the Chrysler. On December 27 the defendant sold the De Soto for $745.00 without notice to the plaintiff.

The replevin action came to trial the following October, and the dealer defended on the ground that, having been a complete sale, the Chrysler was his property. The Court found in favor of the dealer and the plaintiff thereupon returned the Chrysler. As the matter then stood, the dealer had in his possession the proceeds from the sale of the De Soto and the Chrysler automobile. The plaintiff brought the present action to recover the value of the De Soto on the ground that the defendant had no right to sell the plaintiff's automobile.

The Court decided that the effort made by the plaintiff on the following Monday morning, to return the De Soto and obtain the redelivery of the Chrysler, was an unsuccessful attempt at recision. As the plaintiff had stopped payment the dealer was an unpaid seller. The dealer by part-

ing with possession of the De Soto lost the lien, but it was re-established when the buyer re-delivered the De Soto on Monday morning. Since the dealer was now an unpaid seller with the car in his possession he was entitled to exercise the lien by selling the car. The resale, therefore, was proper and the plaintiff was denied recovery.

Guaranties are Poison

(*Continued from page 25*)

" 'How would I know until you ask me?'

" 'Suppose, ha, ha,' Walter says, 'suppose I were to ask you, *On what was your credit to Suggs Jr. based?*—what would you tell me?'

" 'I'd tell you I thought the boy was all right, and he made me a statement for it.'

" 'And then if I ask, *Was there any other consideration*—or put it this way: *Did you rely on this guaranty when you gave him credit?*—then what will you say?'

" 'Walter, please—ain't we been all over that? Don't I tell you I forgot about it—even that I had it?'

" 'Well—what would your answer be?'

" 'NEIN,' I tell him.

"Then Walter takes off his glasses and wipes his face and the top of his head. 'You sure you don't remember thinking, just once, that if the boy don't pay, you can always go to Joe?'

" 'Listen, Walter,' I say, 'we been doing business a long time together. Don't you want to be my lawyer any more?'

"It is time for lunch almost when Walter comes out again. He says they have filed a general denial and got a thirty day layover, and now we got to make an answer and file an amended bill of particulars.

" 'What are you sweating for?' I ask him. 'All you got to do is write down what is what, ain't it?'

"Walter looks at me and says 'You're sure . . .

" 'Look, Walter,' I say, 'enough is plenty. I'm telling you final I don't want to hear more about that paper.'

"One day the boy comes to see me. 'This is no way to treat an old friend like my pa, that you have been making money off of for years,' he says to me. 'He can't afford to pay my bills. He never knew you still had that paper he and Ma signed. I bet you forgot about it, too. Your lawyer should be ashamed, prosecuting them like this.'

" 'Well,' I say, 'it's a good paper, no? They didn't cancel it, did they? Why shouldn't your pa pay, then?'

" 'Pa's sick,' he says. 'This worries him. Maybe he can talk to you about it?'

"I tell the boy sure, his pa can come to see me any time.

"Joe don't look good when he comes in, a few days later. I can see he is not well. But I think he is not bad off in a money way—he's retired, goes south in the winter. We talk about old times, but I feel sorry for him so I don't say anything about how his corporation and his wife and his partner and himself—how none of them did right by me.

" 'Well, Joe,' I say, 'you want to deal? You want to save some money and more trouble? All right—there is no hard feelings. What kind of deal you want to make?'

"I go in the other room and call Walter. 'Suggs wanted to settle for half,' I tell him. 'I said no positive—this time we got a good paper.'

" 'WHAT?' . . . Then I hear words, low, so I don't understand for sure, and I ask, 'Is it somebody there in the office that you are talking to—somebody, maybe, that you are mad at?'

" 'Then he says, soft, 'Mort—is he there?' and I start to tell him, 'No, he's . . . and I hear a noise like he's coughing or maybe choking. 'Put down the phone, Walter,' I tell him. 'Take a drink of water.'

"He comes back and I finish telling him Suggs is waiting in the other room.

" 'All right. Listen close, Mort—here's what you tell him—In consideration of your many years of mutually friendly and profitable business relations, and being aware of the present state of his health, not wanting to subject him to further worry or distress; we will accept—provided immediate payment is made—one-half of the principal sum of the debt plus all costs that have been incurred by us to date, and give them a full release.'

" 'How much will the costs be?' I ask.

" 'So far, about twenty dollars,' Walter says.

"I get a paper and pencil. 'Walter,' I ask him, 'say all those words to me again, slow, so I can write them.'

"Noises start again and then he says quick, 'Skip it—just settle with him. *Don't let him get out.*'

" 'You mean if he pays me half and twenty over, I'm to receipt him in full?'

" 'YES! . . . You hear me, Mort? . . . *Settle it!*

"Next time I see Walter I ask, 'For what was the big rush to settle with Suggs—you hard up or something?'

"Walter just looks at me. Then he says, quiet, 'Mort, have you got any more guaranties lying around?'

"I tell him no, not that I know of.

" 'Well, if you find any bring them in. I don't want another case like that one.'

" 'What's the matter?' I say. 'We would of beat them, wouldn't we?—or maybe do you mean that paper was no good either? . . . Look, Walter,' I say, 'don't you want to be my lawyer any more? I am a patient man, but—

" 'Legally, it was perfectly good. Actually, it was worse than worthless—it was a liability.'

" 'Walter,' I say—'I am warning you final. I am a—

" 'It was liability because, if you can't show that you relied on a guaranty in extending credit. the law says you have no case against the guarantor. Only a dope could have overlooked that — and your lawyer is no dope. . . . We would have lost the case, been assessed the costs, and lucky if they didn't think about claiming damages.' "

Mort paused, then went on, reminiscently, "I was always going to tell Mr. Thomas about that—it wasn't in the book. . . . You know Mr. Thomas?"

We told him we did—and that Mr. Thomas was now one of the top men in the credit field.

"Yes, he was a smart man. When you see him, tell him hello from Mort. . . . And tell him there's no hard feelings, but Mort says guaranties are poison."

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